Establishing regional treasury centres in ADGM

Abu Dhabi Global Market

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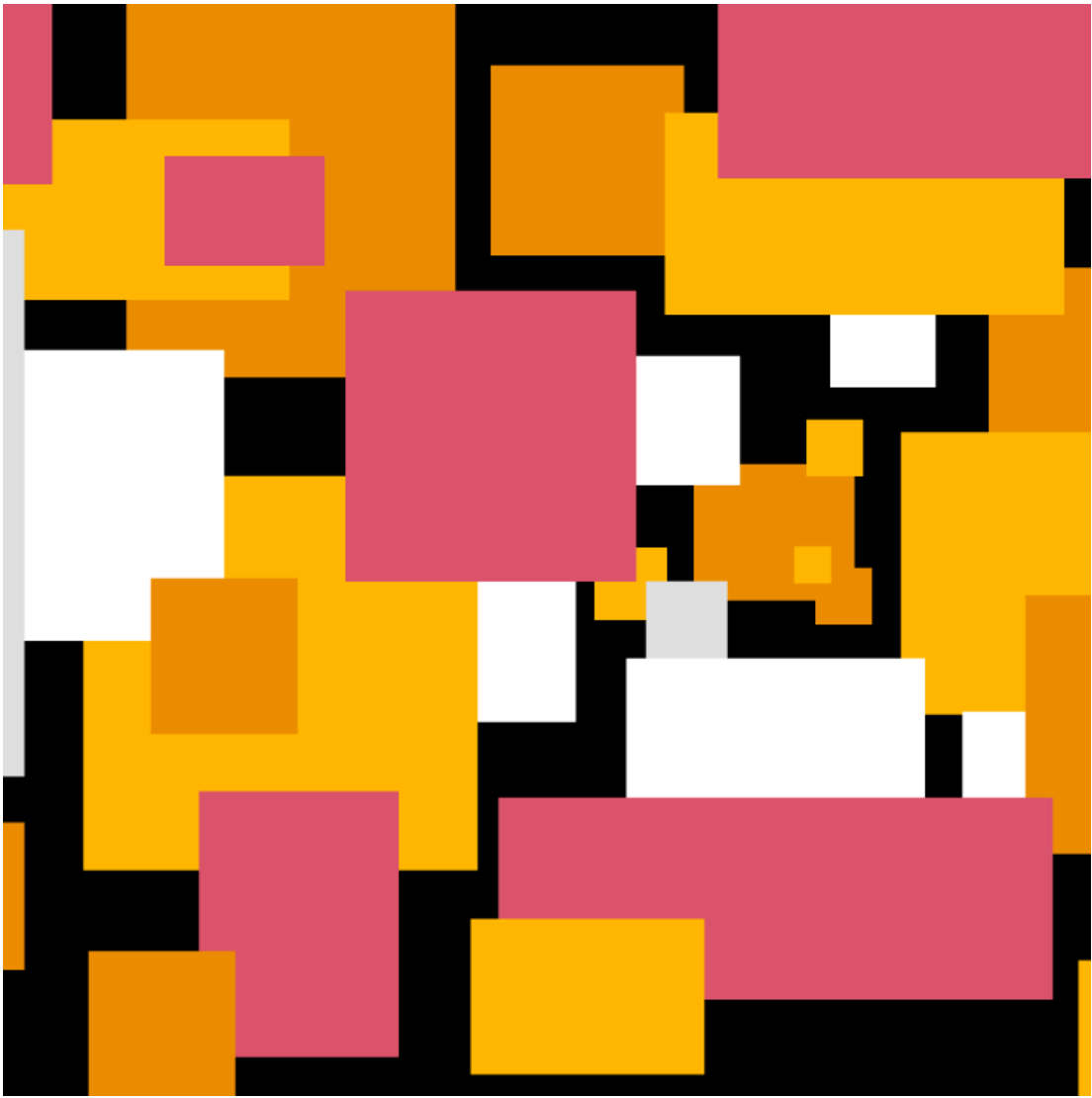

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1. Executive summary

1.1. Introduction

Treasury functions of organisations across the world are in a phase of rapid change. The multinational companies ('**MNCs**') and other organisations which they serve are themselves undergoing major transformation and development, due to economic and technological changes across the world.

In this context, there is a clear trend to centralise treasury operations, in one or more Regional Treasury Centres ('**RTCs**'). RTCs bring together treasury functions in a single centralised location, managed by a centralised team. The functions in an RTC generally include cash pooling and other typical treasury functions, depending on the needs of the organisation.

A number of RTCs have been established in the United Arab Emirates ('**UAE**') in recent years, including in Abu Dhabi Global Market ('**ADGM**'). European and US headquartered groups have chosen the UAE and ADGM in particular as the location for their regional headquarters and related functions because of the business friendly environment, political stability, internationally aligned regulatory and judicial regime, quality of infrastructure, favourable tax environment and a geographic location which is particularly convenient for treasury management across Europe, Middle East and Africa.

This paper sets out the legal and tax framework applicable to RTCs in ADGM, and highlights some of the tax and regulatory considerations of performing treasury operations in the wider region (Middle East, India, Pakistan and Turkey) from ADGM. This paper also provides a comparison of ADGM with other commonly used RTC jurisdictions from a tax and regulatory perspective.

1.2. Legal framework

ADGM is a federal financial free zone located in Abu Dhabi that was established in 2013 as a strategic initiative of the Government of Abu Dhabi with a mandate to provide the physical, market and financial infrastructure required to establish Abu Dhabi as a global financial and business centre.

ADGM has its own civil and commercial legal regime, directly applying English common law, within the defined geographical area of the free zone. The regime is broadly independent of the existing legal regime in the UAE and the Emirate of Abu Dhabi; Abu Dhabi civil and commercial laws (comprising both Emirate laws and federal laws of the UAE) do not apply in ADGM. ADGM also has its own independent registrar, financial services regulator and independent courts with a bench made up of highly experienced and eminent judges from leading common law jurisdictions around the world. Essentially, ADGM is a common law jurisdiction within, but independent from, the civil law jurisdiction of the UAE.

The ADGM regulations allow for a broad range of business activities, including financial services, holding and financing activities.

The main benefits of setting up an RTC in ADGM from a legal and regulatory perspective can be summarised as follows:

- An independent jurisdiction with its own civil and commercial laws;
- Common law directly applicable providing high levels of legal certainty;
- Independent ADGM Courts and the world's first/only digital court, with resulting speed of judgement;
- Flexibility for future amendments to the ADGM regulations as required;
- Ability to use standard form transactional documentation for increased efficiency;
- No requirement to maintain (minimum) compulsory reserves; and
- Robust insolvency regulations based on English Companies Law.

An RTC in ADGM can be established as a limited company or any other similar legal form permitted by ADGM. A small annual fee is payable, but beyond that it does not require further regulation or licencing.

ADGM's RTC regime allows the RTC to carry out physical and notional cash pooling, and similar intra-group borrowing and lending transactions.

Various international banks are licenced and operate out of ADGM, as well as outside ADGM in mainland UAE through onshore branches. There is no restriction for an ADGM RTC in opening foreign currency accounts in ADGM or UAE Dirham accounts in mainland UAE, and an ADGM RTC can manage every currency.

1.3. Tax framework

The ADGM tax regime

ADGM offers a 0% corporate income tax rate to entities and branches registered in ADGM. In addition, the UAE does not impose stamp taxes, withholding taxes, wealth taxes, or employment taxes. As such, an ADGM RTC and its employees should not be subject to taxation the UAE.

The UAE introduced Value Added Tax ('**VAT**') on 1 January 2018. Interest income and FX margins would generally not be subject to VAT in the UAE or would be zero-rated. The provision of advisory and transaction services may be zero-rated or subject to 5% VAT, depending on the nature of the service and the location of the recipient.

Interaction with other tax regimes

The overall tax position and efficiency of an ADGM RTC will depend on the interaction with the other tax regimes that apply to the multinational group, which can occur in a number of ways, including:

- Withholding taxes may be applied by other jurisdictions on payments made to the RTC;
- The income of the RTC (whether currently, or upon distribution) may be taxable in the hands of the parent company under Controlled Foreign Company ('**CFC**') type rules or if the conditions of a participation exemption regime cannot be met;
- Transfer pricing rules and policies may determine the profits that can be allocated to, or retained in, the RTC;
- Some countries may apply increased withholding taxes or deductibility restrictions to payments made to a company located in a low tax territory, unless certain criteria can be met; and
- Relief from foreign taxation under double tax treaties may going forward be subject to increased scrutiny and substance requirements, following implementation of the OECD BEPS anti-treaty abuse related measures.

Whether and to what extent these or other foreign tax implications may be triggered will depend on the specific circumstances of the MNC. However, in many cases, the international interactions mentioned above do not lead to adverse outcomes for an RTC based in ADGM as compared to an RTC located in a different jurisdiction.

Some of the critical international tax aspects of establishing an RTC in ADGM are summarised below:

- ADGM entities can benefit from the extensive UAE double tax treaty network, which includes 92 in-force treaties and a further 40 in various stages of negotiation, signature or ratification (as at 31 March 2019). Many of these treaties allow UAE companies to benefit from a zero-withholding tax on interest payments, or, if not zero, the lowest withholding tax rate which is generally available under double tax treaties. The UAE's double tax treaties reduce the average withholding tax on interest from 9.58% to 6.63%, compared to an average 7.73% under the double tax treaties of the comparison jurisdictions. The tax treatment of treasury transactions with the countries in the wider region is discussed in section 3.1.2.
- Under recent and upcoming changes to double tax treaties (in particular those resulting from the OECD Base Erosion and Profit Shifting ('**BEPS**') project), reduced withholding tax rates and other treaty relief will only be available where the receiving company has adequate substance in its jurisdiction of formation, and does not have a main purpose of obtaining treaty benefits. An RTC with adequate people functions and infrastructure in ADGM and that supports a principal commercial purpose should be able to meet these new minimum standards.
- Most CFC rules (for example those of the UK) target corporate profits earned in low tax subsidiaries which are not supported by commercial business rationale, or by relevant operational substance. Having sound commercial reasons for establishing an RTC in ADGM that has adequate staff and infrastructure should generally prevent the income of the RTC from being subject to CFC taxation in the parent company location. Where the ADGM RTC is being caught by CFC rules, the general effect of these rules is to restore the tax position in the parent jurisdiction to (at worst) what would have arisen if the treasury operations had taken place in that jurisdiction.
- In most of the countries that will interact with the ADGM RTC, transfer pricing rules would generally require that (a) intercompany lending, cash pooling and other transactions with the RTC are priced on an arm's length basis, and (b) the profits attributed to the ADGM RTC are appropriate based on the assets, risks and functions of the RTC. Transfer pricing rules would apply regardless of the choice of location of the RTC; an RTC in ADGM should not be treated differently from an RTC in any other location.
- Besides anti-treaty abuse measures, the OECD BEPS project also introduced anti-avoidance rules intended to prevent the use of low tax regimes and aggressive tax planning. Relevant for RTCs are the so-called 'anti-hybrid' rules that target situations where a payment is deductible in one territory, but not subject to tax in another territory because of a different treatment of the payment or the entities involved in the transaction. Generally, the fact that income earned by an ADGM RTC is not subject to

tax in the UAE should not trigger application of anti-hybrid rules. This is, however, an evolving area that should be carefully monitored, especially now that countries around the world are beginning to introduce anti-arbitrage rules.

- The EU and certain other territories are introducing reporting requirements for tax-advantaged transactions. Under the EU rules, transactions with a 'blacklisted' territory are reportable to the relevant EU tax authority, irrespective of whether there is a tax advantage. Post issue of this report the UAE has subsequently been removed from the EU blacklist following the issue of its economic substance regulations.

1.4. Comparison with other RTC centres

The table below provides a high-level comparison between commonly used jurisdictions for treasury activities. While all these jurisdictions are potentially suitable and attractive RTC locations, the ADGM regime is particularly favourable because of its tax and regulatory regime, the wide and favourable UAE double tax treaty network, and the low VAT rate in the UAE.

Whilst tax may be one of the factors that is considered in the choice of location for an RTC, non-tax factors such as the geographical location of Abu Dhabi, the quality of the infrastructure in ADGM, and the availability of qualified management and staff are generally more determining factors for establishing an RTC or headquarters function in ADGM.

[1]	UAE	UK	USA	Ireland	Netherlands	Switzerland	Hong Kong	Singapore
Tax rate	0%	19% (17% from 2020)	21% (federal CIT rate)	12.5%	25%	11.5 – 24.2%	16.5%	17%
Complexity of tax rules and regulatory burden	🟢	🟡	🔴	🟡	🟡	🟡	🟡	🟡
Transfer pricing rules and ruling practice	N/A	🟡	🔴	🟡	🟡	🟡	🟡	🟡
Number of DTTs (including pending)	124	131	67	74	97	98	41	90
Non-taxable FX management	🟢	🟢	🔴	🟢	🟢	🔴	🟢	🟢
VAT/GST (standard rates)	5% Interest is exempt. Fees are generally subject to 5% VAT	20% In general, financial services are exempt from VAT	Sales Tax is levied at state and local level. Sales Tax rates range from 0% – 7.25%.	23% In general, financial services are exempt from VAT	21% In general, financial services are exempt from VAT	7.7% In general, financial services are exempt from VAT	No VAT/GST	7% In general, financial services are exempt from VAT

[1] The Harvey Balls are an indication of the ease of use of each regime only and should not be read as objective measures

[1]	UAE	UK	USA	Ireland	Netherlands	Switzerland	Hong Kong	Singapore
Domestic WHT on interest (may be reduced under DTTs)	0%	20%	30%	0/20%[2]	0%	0%	0%	0/15%[3]
Average WHT rate on foreign interest[4]	6.63%	7.08%	8.75%	7.08%	6.42%	7.92%	8.33%	8.5%

1.5. Regional tax and regulatory aspects

Regional tax aspects

The tax environment in the wider region (Middle East, India, Pakistan and Turkey) spans from no or low tax jurisdictions to full-tax jurisdictions. However, a common feature of the tax regimes in the wider region are relatively high (and rising) withholding taxes on outbound payments, and intra-group transactions are generally an area of focus for local tax authorities.

The table below summarises some of the regional tax considerations that would need to be evaluated when establishing an RTC in the UAE, focussing on taxation at source of income earned from countries in the wider region.

	Bahrain	Egypt	India	Iraq	Jordan	Kuwait	Lebanon	Oman	Pakistan	Qatar	Saudi Arabia	Turkey
WHT on interest income	Nil	10%[5] under UAE DTT	12.5% under UAE DTT	15%	7% under UAE DTT	Nil	0% under UAE DTT	10%	10%	5%	0% under UAE DTT	10%
WHT on services income	Nil	0% under UAE DTT	0%	15%	0% under UAE DTT	Nil	0% under UAE DTT	10%	12% under UAE DTT	0%[6]	0%[6] under UAE DTT	0% under UAE DTT
WHT on FX margins	No	Yes[7]	No	Yes	Yes	No	Yes	Yes[7]	No	No[6]	No[6]	No

Arm's length interest, service fees and FX margins paid by operating entities in the participating territories should generally be tax deductible subject to local documentation requirements and thin capitalisation rules.

Regional regulatory aspects (cash pooling)

Cash pooling is not specifically referred to in the laws and regulations of most regional jurisdictions. However, there are rules governing non-resident current and deposit accounts, and specific rules for cash pooling between local and non-resident accounts exist in Bahrain, Egypt and the UAE. Currently, exchange control regulations do not permit an Indian company to be a part of a cash pooling arrangement.

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[2] 0% interest paid to recipients based in the EU or double tax treaty countries (where the interest income is subject to tax)

[3] Interest payments to overseas banks and approved network companies are exempt from withholding where the funds borrowed are used for approved treasury activities

[4] Average network withholding rate on interest payments from participating territories to RTCs in comparison jurisdictions (among double tax treaties with participating territories). Lower rates may be applicable if the RTC qualifies as a 'financial institution'.

[5] No withholding tax on interest under domestic law if the term of the loan exceeds 3 years and no excessive loan repayments.

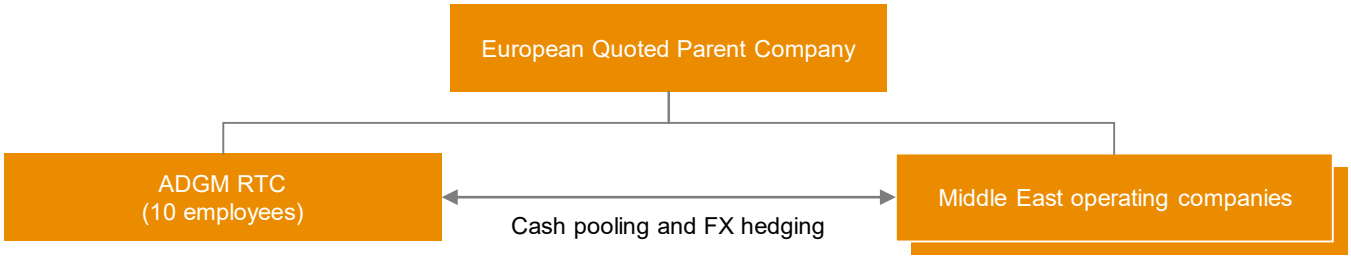
[6] In KSA and Qatar, services performed outside the country should in principle not be subject to withholding tax.

[7] Egypt and Oman may seek to impose withholding tax on FX margins/commissions if charged separately.

Where cash pooling is permitted, regulatory constraints such as not allowing cross-border legal right of offset, prohibiting the co-mingling of resident and non-resident accounts, additional licensing requirements, insolvency regulations, and central bank reporting requirements will all need to be considered.

In most jurisdictions, the granting of loans requires a banking license, although exemptions from this requirement generally exist for intra-group lending. It is therefore important to confirm whether the members of the cash pool qualify as a group according to the laws and regulations of each relevant jurisdiction and whether the provision of liquidity to the header account (and vice versa) is generally regarded as lending from a legal perspective.

1.6. Illustrative case study



The diagram above illustrates an example of a European headquartered MNC using ADGM as location for its RTC. The group is an international engineering business, with operations throughout the Middle East and North Africa region. It employs 10 people in its RTC in ADGM, enabling it to provide cash pooling and comprehensive treasury services to its regional operating companies in a more efficient manner.

The main reasons for establishing an RTC in ADGM included the proximity of the UAE to the Middle East and African countries in which the group operates, the legal/regulatory regime in ADGM, the favourable tax environment in ADGM and the ease of doing business in ADGM. Whilst not a main driver, the ADGM RTC is projected to generate material tax savings for the European group.

2. Establishing an RTC in ADGM

2.1. Introduction

Because of its business-friendly environment, internationally aligned regulatory and judicial regimes, quality of the infrastructure, favourable tax environment and convenient geographic location, ADGM has emerged as an attractive location for MNCs to establish their regional head office, often combined with group treasury and financing activities.

ADGM companies benefit from a full English common law environment, a 0% corporate income tax rate, no foreign ownership restrictions, no limits on repatriation of profits and no withholding taxes, as well as independent courts and financial services regulator. ADGM offers a highly competitive regime, benchmarked against the world's leading jurisdictions,

An ADGM RTC should be able to take advantage of clearly identifiable opportunities to enhance operational and tax efficiency for MNCs operating in the wider region. In particular, it can use cash pooling and other cash management solutions in an effort to improve the group balance sheet, efficiently allocate working capital across the group, and to reduce external financing costs. ADGM provides an attractive regime for these and other activities, and there is a strong case for the incorporation of an RTC in ADGM to be closer to regional customers and operating entities.

In addition, PwC's analysis has identified some clear strengths of ADGM from a tax perspective over other comparison jurisdictions outside the UAE.

From a regional perspective, high domestic withholding tax rates and a lack of a tax treaty network between and among the relevant countries, as well as intra-group financial transactions often attracting scrutiny under audit also make the UAE a more competitive location. The UAE has the most double tax treaties with Middle East countries, India, Pakistan and Turkey compared to the other comparison jurisdictions. This places ADGM on a better or equal footing from a tax perspective but with a strong geographical advantage.

The UAE double tax treaties offer on average one of the lowest withholding tax rates of all comparison jurisdictions for dividends and interest (despite the ability of some of the comparison jurisdictions to benefit from a 0% withholding tax under EU Directives). The reduced royalty withholding tax rates under the UAE's double tax treaties are on average slightly higher than some of the comparison jurisdictions, but still very competitive.

In addition to a wide and favourable double tax treaty network, ADGM currently offers a 0% corporate income tax rate to ADGM companies and the UAE does not levy withholding taxes on outbound dividends, interest and other payments.

As part of its commitment to combat 'treaty shopping', the UAE signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ('**MLI**') to incorporate the treaty related BEPS measures into its selected double tax treaties. Therefore, if double tax treaty benefits are commercially important, it is critical that an ADGM RTC has appropriate operational substance in the UAE and that the RTC's business case supports a principal commercial purpose. This is in addition to meeting the minimum substance and procedural requirements set by the UAE Ministry of Finance ('**MoF**') as well as any source country treaty application requirements.

Because of the absence of taxation in ADGM, the use of an ADGM RTC could, in certain countries, trigger anti-avoidance rules designed to prevent base erosion and profit shifting to low or zero tax regimes. However, where such anti avoidance rules exist, the commercial rationale for using an ADGM RTC and adequate substance in the UAE could ensure no adverse tax consequences.

2.2. Legal framework

2.2.1. ADGM legal framework

ADGM is a federal financial free zone located in Abu Dhabi that was established in 2013 as a strategic initiative of the Government of Abu Dhabi with a mandate to provide the physical, market and financial infrastructure required to establish Abu Dhabi as a global financial and business centre.

ADGM was established by the following laws:

- Federal Law No.8 of 2004 regarding financial free zones and implementing regulations (Cabinet Resolution No.28 of 2007)
- Federal Decree No.15 of 2013 establishing ADGM
- Cabinet Resolution No.4 of 2013 on size and geographical area of ADGM
- Abu Dhabi Law No.4 of 2013 concerning ADGM

ADGM has its own civil and commercial legal regime, directly applying English common law, within the defined geographical area of the free zone. The regime is broadly independent of the existing legal regime in Abu Dhabi; Abu Dhabi civil and commercial laws (comprising both Emirate laws and Federal laws of the UAE) do not apply in ADGM. ADGM also has its own independent registrar, financial services regulator and independent courts with a bench made up of highly experienced and eminent judges from leading common law jurisdictions around the world. Essentially, ADGM is a common law jurisdiction within, but independent from, the civil law jurisdiction of the UAE.

The ADGM regulations allow for a broad range of business activities, including financial services, holding and financing activities.

The main benefits of setting up an RTC in ADGM from a legal and regulatory perspective can be summarised as follows:

- An independent jurisdiction with its own civil and commercial laws;
- Common law directly applicable providing high levels of legal certainty;
- Flexibility for future amendments to the ADGM regulations as required;
- Independent ADGM Courts and the world's first/only digital court, with resulting speed of judgement;
- Ability to use standard form transactional documentation for increased efficiency;
- No requirement to maintain (minimum) compulsory reserves; and
- Robust insolvency regulations based on English Companies Law.

An RTC in ADGM can be constituted as a limited company or any other similar legal form permitted by ADGM, and there is no minimum capital requirement. A small annual fee is payable, but beyond that the ADGM RTC does not require further regulation or licencing.

Under the ADGM RTC regime, and ADGM RTC can carry out physical and notional cash pooling, and other intra-group borrowing and lending transactions. An ADGM RTC is also permitted to net all of its FX trades in respect of the legal entities in the participating territories.

2.2.2. Licensing requirements

ADGM regulations allow for a broad range of business activities, including treasury, financial services, holding and financing activities. This broad range of activities effectively allows MNCs to establish an RTC or in-house bank in ADGM and perform services typically provided by banks without being required to set up a regulated financial services entity.

An ADGM RTC is permitted to provide the following treasury activities which fall under the Category B classification (non-financial). These treasury activities are not regulated by ADGM's Financial Services Regulatory Authority ('**FSRA**').

Activity code	Title	Description
7030	Treasury planning and operations	This includes: • Cash flow forecasting • Subsidiary and Group financial management • Investment appraisal • Tax planning • Operational risk management • Efficiency gains

Activity code	Title	Description
7031	Treasury cash and liquidity management	This includes: • Managing internal capital market with subsidiaries and affiliated companies • Optimising commercial cash flows, interest expense, working capital and tax expense through netting and cash concentration • Confirmation and reconciliation of receipts • Smooth operations and supplier relationships • Global liquidity funding and disposition • Conceptualization, development and negotiation of pooling mechanisms • Managing payment infrastructure
7032	Treasury funding and capital markets	This includes: • Optimization of capital structure • Managing short, medium and long-term investments in different asset classes and special vehicles • Ensuring adequate liquidity to support the business operations • Ensuring market competitiveness for global market operations • Diversifying capital sources, partners and maturities • Monitoring and managing credit ratings • Portfolio management of debt, derivatives and investments • Negotiating, executing and managing funding from sale of receivables or payable solution with external parties
7033	Treasury financial risk management and advisory	This includes: • Seeking natural hedges and offsets within the business • Interest Rate risk management • Risk management relating to FX, Commodities, Counterparties, Credit, • Liquidity and Pensions • De-risk contracts and avoiding bad debts • Involvement in business insurance • Advising on hedging strategies • Monitoring financial risk positions
7034	Treasury corporate governance	This includes: • Ensuring accurate valuation of financial instruments • Ensuring accurate accounting of Treasury transactions • Implementing and manage treasury and financial risk policies and procedures • Provision of covenant tests and information to investors • Provision of compliance information to regulators • Ensuring accurate transaction history and audit trail • Working with internal and external auditors

Activity code	Title	Description
7035	Treasury Bank and stakeholder relations	This includes: • Providing performance and risk analytics to Board • Managing relationship with banks and other investors • Managing relationship with credit rating agencies • Co-operating with Board and Investor Relations on shareholder matters
7036	Treasury pension management	This includes: • Negotiating, managing and monitoring pension structures • Managing relationships with internal and external pension providers • Pension Planning
7037	Treasury insurance management	This includes: • Negotiating, managing and monitoring business insurance structures • Managing relationships with external business insurance providers
7038	Treasury financial systems and applications development	This includes: • Participating in Proof of Concepts for new technology development • Operating 'finTECH/blockchain LAB' infrastructure • Liaising with other 'LAB, incubator, catalyst initiatives' • Participating in RegLAB/RegTECH initiatives and regulatory sandboxes

Source: https://www.adgm.com/media/301238/category-b-non-financial-permitted-business-activities-v020.pdf

An ADGM RTC may choose more than one of the above activities during the application process.

2.2.3. Regulations regarding opening bank accounts/pooling

Various international banks are licenced and operate out of ADGM, as well as outside ADGM in mainland UAE through onshore branches.

There is no restriction for an ADGM RTC in opening foreign currency accounts in ADGM. The ADGM RTC may manage every currency but may have to open UAE Dirham accounts onshore. Opening an onshore UAE Dirham account should generally not trigger any onshore licensing or other requirements.

2.2.4. Corporate and insolvency law/regulations

There are no thin capitalisation rules under the UAE Commercial Companies Law or the ADGM regulations nor do ADGM entities need to form and maintain (minimum) compulsory reserves.

The UK insolvency regime forms the basis of the insolvency regime for companies in ADGM. The restructuring and insolvency regime that applies to ADGM companies is based on UK law, being an amalgamation of the UK Insolvency Act 1986 and the Insolvency Rules 1986, with some modifications.

2.2.5. Foreign exchange restrictions/regulations

There are no restrictions in the UAE on foreign exchange or the repatriation of capital and profits.

2.2.6. Reporting obligations

Every company must submit annual returns (which contain basic information such as the address, principal business activities, directors etc. of the ADGM entity) to the ADGM registrar. There would also be a notification/registration requirement in ADGM in respect of the sale of shares in an ADGM RTC, a change of its directors etc.

2.3. Tax framework

2.3.1. Corporate income tax

The Abu Dhabi Income Tax Decree potentially levies corporate income tax on all companies (including branches of foreign companies) operating in the Emirate of Abu Dhabi at rates of up to 55%.

However, in practice and with the exception of upstream oil and gas companies and branches of foreign banks, the Abu Dhabi Income Tax Decree and the other Emirate Income Tax Decrees have not been enforced to date and consequently tax is generally not levied on most UAE and foreign companies operating in the UAE.

In addition, entities which are established within a designated free zone in the UAE such as ADGM are subject to the rules and regulations, and tax regime, of that free zone rather than the 'onshore' Emirate tax regime (outlined above).

An entity that is established in ADGM is subject to a 0% income tax for 50 years starting from date of formation of ADGM (19 February 2013). As such, interest, service fees, foreign exchange margins and other income earned by an ADGM RTC should not be subject to taxation in Abu Dhabi/the UAE.

2.3.2. VAT

The UAE introduced VAT as from 1 January 2018. The standard rate of VAT is 5%, with certain transactions being exempted or zero-rated.

Revenue type	UAE recipient of supply	Non-UAE recipient of supply[8]
Interest income	Exempt supply VAT is not applicable	Zero-rated supply VAT is applicable at 0%
Foreign exchange spread income[9]	Exempt supply VAT is not applicable	Zero-rated supply VAT is applicable at 0%
Intercompany service agreement revenue[10]	Taxable supply VAT is applicable at 5% Tax invoice is required to be issued (subject to the RTC being VAT registered)	Zero-rated supply VAT is applicable at 0%

The making of loans by an ADGM RTC to a non-GCC borrower should be treated as a zero-rated supply for UAE VAT purposes. As such, the ADGM RTC would not need to apply UAE VAT on interest and other charges made.

Service fees and commission income are subject to 5% VAT if the recipient resides in the UAE or zero-rated for services provided to a recipient residing outside of the UAE, subject to certain conditions being met.

A business must register for VAT in the UAE if its taxable supplies and imports exceed the mandatory registration threshold of AED 375,000 (approximately USD 102,000). Furthermore, a business may choose to register for VAT voluntarily if its supplies and imports are less than the mandatory registration threshold but exceed the voluntary registration threshold of AED 187,500. Similarly, a business may register voluntarily if its expenses exceed the voluntary registration threshold.

An ADGM RTC that is registered for VAT purposes can recover input VAT incurred on expenses that relate to taxable (standard or zero-rated) supplies. Input VAT incurred on expenses relating to exempt supplies (e.g. interest income earned from UAE group companies) would not be recoverable.

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[8] Non-UAE recipients include the other Gulf Cooperation Council ('**GCC**') Implementing States (currently Bahrain and KSA) which treat each other as outside the GCC until the Electronic Service System is introduced.

[9] Spreads on FX trades are exempt from UAE VAT.

[10] Any revenues earned under internal services agreements.

2.3.3. Withholding tax

Interest, fees and other payments made by an ADGM RTC to the cash pool participants or non-resident lenders should not attract withholding tax or any other taxes in the UAE.

The distribution of dividends by an ADGM RTC should also not be subject to withholding tax.

2.3.4. Stamp duty, capital tax, transactional taxes

There is no stamp duty, capital tax or similar taxes in the UAE. The funding of the ADGM RTC and execution of intercompany loan and services agreements should therefore not give rise to transactional tax consequences in the UAE.

2.3.5. Personal income tax

The UAE does not levy personal income tax, and UAE employers are not subject to payroll tax.

2.3.6. Transfer pricing considerations

There are currently no transfer pricing regulations in the UAE. However, the UAE joined the OECD Inclusive Framework on BEPS on 16 May 2018, and has committed to implement, in the immediate to short term, transfer pricing documentation and Country-by-Country ('**CbC**') reporting regulations.

There are no thin capitalisation rules in the UAE.

2.3.7. UAE Double Tax Treaty network

The UAE has an extensive network of double tax treaties, with 92 in-force double tax treaties and a further 40 in various stages of negotiation, signature or ratification (as at 31 March 2019).

The UAE's double tax treaty network is currently already wider than countries such as Hong Kong, Ireland, Singapore and the US. If one includes the UAE double tax treaties that have been signed but are awaiting ratification or entry into force, the UAE has a more extensive double tax treaty network than the existing treaty network of the Netherlands and Switzerland.

The UAE has the most double tax treaties with Middle East countries, India, Pakistan and Turkey compared to the other comparison jurisdictions. This places ADGM on a better or equal footing from a tax perspective but with a strong geographical advantage.

The UAE double tax treaties offer on average one of the lowest withholding tax rates of all comparison jurisdictions for dividends and interest (despite the ability of some of the comparison jurisdictions to benefit from a 0% withholding tax under EU Directives).

Obtaining a UAE Tax Residency Certificate ('TRC')

UAE entities seeking to obtain double tax treaty relief must typically provide the tax authority in the foreign country a UAE TRC. Such TRC can be obtained through the UAE Ministry of Finance ('**MoF**')'s website[11].

A TRC is issued for a specific double tax treaty and is valid for one year. The UAE MoF only issues TRCs to companies that have been in existence for at least one year, although this requirement is sometimes relaxed.

To obtain a TRC, the following documents[11] need to be submitted:

- Copy of valid trade license of the applicant (valid for the application period);
- Copy of the certified articles of association of the applicant;
- Copy of the Emirates ID, passport and UAE residence visa of the company manager, owners or directors;
- Certified audited financial statements (stamped by a local UAE auditor for the application period);
- Copies of bank statements for a period of six months during the application period (stamped by the issuing bank);
- Copy of a valid lease/rent agreement in the name of the applicant (stamped by Ejari); and

[11] https://www.mof.gov.ae/en/mservices/Corporate/VTAX/Pages/tax.aspx

- Tax treaty application forms from the country in which the TRC is to be submitted (if applicable)

The issuance of a TRC usually takes 5-10 working days from the date of electronic application.

2.3.8. International tax considerations

Introduction

The overall tax position and efficiency of an ADGM RTC will also depend on the interaction with the other tax regimes that apply to the multinational group, which can occur in a number of ways, including:

- Withholding taxes may be applied by other jurisdictions on payments made to the RTC;
- The income of the RTC (whether currently, or upon distribution) may be taxable in the hands of the parent company under CFC type rules or if the conditions of a participation exemption regime cannot be met;
- Transfer pricing rules may determine the profits that can be allocated to, or retained in, the RTC;
- Some countries may apply increased withholding taxes or deductibility restrictions to payments made to a company located in a low tax territory, unless certain criteria can be met; and
- Relief from foreign taxation under double tax treaties may going forward be subject to increased scrutiny and substance requirements following implementation of the treaty related OECD BEPS measures.

Whether and to what extent the above or other international tax implications may be triggered will depend on the specific circumstances of the multinational group. However, in many cases, the international interactions mentioned above do not lead to adverse outcomes for an RTC based in ADGM as compared to an RTC located in a different jurisdiction.

The withholding tax, transfer pricing and key regulatory considerations of performing treasury operations in the wider region (Middle East, India, Pakistan and Turkey) from ADGM are discussed in Section 3 and Appendix 2.

The impact of the OECD BEPS project and certain recent EU tax developments are briefly discussed below. For further detail on these and other international tax developments, we refer to Appendix 4.

OECD BEPS project

The global tax system is undergoing an unprecedented reform driven by the outcomes of the OECD-led BEPS project which was established in 2013 to address a growing global concern over taxpayers using 'inappropriate' tax planning to avoid taxation and artificially shift profits to low or no-tax locations.

The final proposals to counter perceived tax avoidance and improve transparency ('BEPS Actions') were issued by the OECD in 2015 and are being implemented through a combination of domestic and international tax law changes.

The UAE joined the OECD Inclusive Framework on BEPS on 16 May 2018 and signed the MLI on 27 June 2018. The MLI allows the UAE and the other signing jurisdictions to implement the treaty related BEPS measures in their existing double tax treaties in a consistent manner.

The UAE, along with most of its treaty partners, has elected to include a so-called Principle Purpose Test ('**PPT**') in their double tax treaties. The PPT is a general anti-abuse rule which denies treaty benefits where one of the main purposes of a transaction or arrangement is to access the double tax treaty, unless it can be shown that granting benefits would be appropriate in the circumstances.

Once the MLI is ratified (by the UAE and the relevant treaty partner countries) and enters into force, an ADGM RTC would need to be able to support that it has appropriate operational substance in the UAE and supports a principal commercial purpose in order to access treaty relief. This is in addition to meeting the minimum substance and procedural requirements set by the UAE MoF and any treaty partner country specific requirements.

Besides anti-treaty abuse measures, the OECD BEPS project also introduced anti-avoidance rules intended to prevent the use of low tax regimes and aggressive tax planning. Generally, the fact that income earned by an ADGM RTC is not subject to tax in the UAE should not trigger application of these anti-avoidance rules. This is, however, an evolving area that should be carefully monitored, especially now that countries around the world are beginning to introduce anti-arbitrage rules.

EU blacklist

The UAE was included in the original European Union ('EU') list of non-cooperative jurisdictions for tax purposes (the '**EU blacklist**') in 2017, and was added back to the EU blacklist in March 2019 because it did not make sufficient progress in implementing economic substance regulations by the agreed deadline of December 31, 2018. The UAE was subsequently removed from the blacklist having issued economic substance regulations.

3. Regional tax and regulatory aspects

3.1. Regional tax and regulatory aspects

The functions in an RTC generally include cash pooling and other typical treasury functions, depending on the needs of the organisation.

A cash pool is aimed at ensuring that cash and other liquid assets available within a group are utilised first before external financing is sought. Broadly speaking, cash pooling is an intercompany financing agreement wherein affiliates with surplus cash lend to other affiliates with deficit cash positions, usually via a 'cash pool leader', who acts as the intermediary between the participants. In addition to enabling the efficient utilization of excess internal liquidity, cash pooling also creates the opportunity to invest the resulting net group positions and subsequently improve the group's balance sheet.

A cash pooling arrangement within a MNC group would involve the regular transfer of surplus cash from all participating entities into a single bank account ('header account') in return for the ability to draw on the funds in that account to satisfy their own cash flow requirements from time to time.

The ADGM RTC or parent of the ADGM RTC would typically hold the header account and depending on the type of cash pooling arrangement, with the regional participating entities transferring either their entire cash surplus ('zero balancing'), or cash exceeding a certain surplus level ('target balancing') to the master account. The transfers and drawdowns of funds to and from the master account by the participating companies have the nature of the grant and repayment of intra-group loans.

From a regional tax perspective, withholding taxes on interest paid by the cash pool participants to the cash pool leader, characterisation of deposits made by the participants to the cash pool leader, transfer pricing requirements, and thin-capitalisation rules are the four most critical tax issues associated with physical cash pooling transactions between participants and the ADGM RTC.

In comparison, a notional cash pool does not involve the physical transfer of funds, but rather the set-off of balances of different companies within the group. Notional cash pooling would not result in the creation of intra-group loans, since funds are not physically transferred. However, a notional cash pooling arrangement will frequently involve the grant of cross-guarantees and security by the participants to the bank, in order to maximise the available overdraft facility, which may bring the notional positions within the scope of local thin capitalisation rules.

Further, where the ADGM RTC also provides treasury services, the service fees paid by group entities to the RTC may attract local withholding taxes and in some cases may have VAT or GST consequences.

3.1.1. Legal/regulatory considerations

3.1.1.1. Licensing requirements

The wider region (Middle East, India, Pakistan and Turkey) offers a relatively relaxed regulatory environment for cash pooling and other cash management and intra-group financial arrangements.

Cash pooling is not specifically referred to in the laws and regulations of most regional jurisdictions. However, there are rules governing non-resident current and deposit accounts, and specific rules for cash pooling between local and non-resident accounts exist in Bahrain, Egypt and the UAE.

Although a number of countries in the region permit cash pooling and there are minimal foreign exchange controls, not all territories may allow for all forms of cash pooling. Where cash pooling is permitted, regulatory constraints such as not allowing cross-border legal right of offset, prohibiting the co-mingling of resident and non-resident accounts, licensing requirements, insolvency regulations, and central bank reporting requirements will all need to be considered.

In most jurisdictions, the granting of loans requires a banking license, although exemptions from this requirement are generally available for intra-group lending. It is therefore important to confirm whether the members of the cash pool qualify as a group according to each relevant jurisdiction and whether the provision of liquidity to the header account (and vice versa) is generally regarded as lending from a legal perspective.

We note that certain countries in the region have a requirement for a minimum level of local ownership in local entities. Foreign MNCs using local partners should ensure that any cash pooling arrangement does not breach the relevant foreign ownership and investment laws or the terms of local partnership arrangements. Further, it would need to be ensured for each entity involved in the cash pool that the business license does not prohibit the lending and borrowing of funds.

3.1.1.2. Regulations regarding opening bank accounts/pooling

	Bahrain	Egypt	India	Iraq	Jordan	Kuwait	Lebanon	Oman	Pakistan	Qatar	Saudi Arabia	Turkey
Regulatory/ licensing requirements for the ADGM RTC?	No	No	N/A	No	No	No	No	No	No	No	No	No
Ability of the ADGM RTC to open a local currency account?	Yes	Yes[12]	N/A	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Ability of the ADGM RTC to open a local foreign currency account?	Yes	Yes[12]	N/A	No	Yes	Yes	Yes	Yes	Yes[12]	Yes	No	Yes
Ability of the local group company to open a local foreign currency account?	Yes	Yes[12]	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ability of local group company to open an overseas bank account?	Yes	Yes[12]	N/A	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Is notional pooling allowed?	Yes	Yes[12]	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

[12] Subject to certain conditions.

	Bahrain	Egypt	India	Iraq	Jordan	Kuwait	Lebanon	Oman	Pakistan	Qatar	Saudi Arabia	Turkey
Is cross-border physical cash pooling/zero balancing allowed?	Yes	Yes[12]	No	Yes[12]	Yes	Yes	Yes	Yes	Yes[12]	Yes	Yes	Yes
Foreign exchange controls?	No	Yes	Yes	No	No	No	No	No	Yes	No	No	No

In respect of India, exchange control regulations do not permit an Indian company to be a part of a cash pooling arrangement, though there may be flexibility that permits an Indian company to open foreign currency and overseas bank accounts (subject to certain conditions). Additionally, besides Egypt, Iraq, Pakistan and Saudi Arabia, there are no restrictions for an ADGM RTC in opening local or foreign currency accounts in the regional territories.

Besides Egypt, India and Pakistan, there are no exchange control regulations in respect of local currency transactions between resident and non-resident entities (this should be confirmed on a case-by-case basis).

3.1.1.3. Reporting obligations

There may be Central Bank reporting obligations in certain territories in the region.

3.1.2. Tax considerations

3.1.2.1. Corporate income tax (incl. interest deductibility)

Levels of corporate taxation are relatively low in the Middle East, ranging from 0% for most business in Bahrain and the UAE, to 22.5% in Egypt. Taxation in Lebanon (17%), Kuwait (15%), Jordan (14% for most companies), Oman (15%) and Qatar (10%) can be considered modest by global standards, and Saudi Arabia has a corporate tax rate of 20%.

Besides the UAE and Bahrain, other territories can also provide a no or low tax environment, depending on the location and shareholder profile of the company. For example, entities established in a free zone in Egypt or Jordan are exempt from taxation, and companies in Kuwait, Saudi Arabia, and Qatar are exempt from corporate tax to the extent of local or GCC ownership.

Whilst interest payable by participants with deficit balances may be tax deductible (subject to local restrictions) in most countries, the benefit of such deduction is reduced where interest paid to the foreign header attracts a withholding tax. Using ADGM as a location for the header may mitigate this withholding tax where there is a double tax treaty in place, subject to meeting the relevant conditions for treaty application.

The tax issues associated with earning and charging interest in both the header and each of the participants' countries will depend on the characterisation of the relationship between the entities, the cash movements, and the direction of the interest flows.

3.1.2.2. VAT

	Bahrain	Egypt	India	Iraq	Jordan	Kuwait	Lebanon	Oman	Pakistan	Qatar	Saudi Arabia	Turkey
Standard VAT/GST rate	5%	14%	18%	N/A	16%	N/A[13]	11%	N/A[14]	No	N/A[13]	5%	18%
VAT/GST treatment of making interest bearing loans	Exempt	Exempt	Exempt	N/A	Taxable supply[15]	N/A	Exempt	N/A	Exempt	N/A	Exempt	Exempt

3.1.2.3. Withholding tax

	Bahrain	Egypt	India	Iraq	Jordan	Kuwait	Lebanon	Oman	Pakistan	Qatar	Saudi Arabia	Turkey
WHT on intra-company interest income	Nil	10% under UAE DTT	12.5% under UAE DTT	15%	7% under UAE DTT	Nil	0% under UAE DTT	10%	10%	5%	0% under UAE DTT	10%
WHT on services income	Nil	0% under UAE DTT	10%[16]	15%	0% under UAE DTT	Nil	0% under UAE DTT	10%	12% under UAE DTT	0%[13]	0% under UAE DTT	0% under UAE DTT
WHT on FX margins	No	Yes[17]	No	Yes	Yes	No	Yes	Yes[17]	No	No[18]	No[18]	No

Besides the UAE, Bahrain and Kuwait, entities established in a free zone in Egypt or Jordan do not have to apply withholding taxes, and remittances from entities established in the Qatar Financial Centre ('QFC') are also not subject to withholding tax.

3.1.2.4. Stamp duty, capital tax, transactional taxes

Intercompany financing/treasury transactions and services should not be subject to stamp duty, capital tax or other transactional taxes in Bahrain, Egypt, Iraq, Kuwait, Oman, Qatar or Saudi Arabia. However, the execution of intercompany loan and services agreements could give rise to stamp duty in India, Jordan, Lebanon, Pakistan and Turkey.

[13] The introduction of VAT under a common GCC framework agreement is expected to be introduced in the near future.

[14] VAT Law expected to be implemented with effect from 1 January 2020.

[15] 16% sales tax would be applicable unless the non-resident recipient is a regional financial institution.

[16] The withholding tax rate of 10% (plus applicable surcharge and cess) under the domestic tax laws (assuming no PE of UAE company in India). India-UAE treaty does not contain any specific clause for taxability of fees. In event that the fees are considered as 'Other income' under the treaty then the fees should not be taxable in India.

[17] Egypt and Oman may seek to impose withholding tax on FX margins/commissions if charged separately.

[18] In KSA and Qatar, it could be argued that services performed outside the country should not be subject to withholding tax.

3.1.2.5. Transfer pricing considerations

Item	Bahrain	Egypt	India	Iraq	Jordan	Kuwait	Lebanon	Oman	Pakistan	Qatar	Saudi Arabia	Turkey
Are there any transfer pricing rules in respect of interest charged on related party borrowings and services?	No	Yes Interest cannot exceed two times the rate per the Central Bank of Egypt	Yes (arm's length principle)	Yes (arm's length principle)	Yes (arm's length principle)	Yes (arm's length principle)	Yes	Yes (arm's length principle)	Yes	No (with the except-ion of the QFC)	Yes (arm's length principle)	Yes (arm's length principle)
If yes, what are the transfer pricing documentation requirements?	N/A	Maintain master file and local file	Yes (see appendix 2 for further details)	No specific transfer pricing rules	No specific transfer pricing rules	No transfer pricing law	No	No formal transfer pricing rules	Maintain master file and local file	N/A	Maintain master file and local file	Yes

India, Pakistan and Turkey have transfer pricing legislation following OECD guidelines, including the three-tiered approach for transfer pricing documentation (Master file, Local file, and CbC reporting requirements).

In the Middle East, Egypt and KSA have recently introduced detailed transfer pricing regulations and documentation requirements, but most of the other territories only have a recognition of the arm's length principle in their laws, including Qatar, Saudi Arabia, and Oman. Other Middle East jurisdictions apply general transfer pricing principles only by way of practical application of the tax authority's interpretation of the arm's length principle.

Physical cash pooling

In the context of physical cash pooling, the terms applied to the intercompany balances arising as a result of a physical cash pooling arrangement must be agreed between the parties and documented accordingly. For instance, in cases where the header acts as a financial intermediary, the applicable rate of interest on deposits and loans should be established at arm's length or to what third parties would have agreed. Therefore, from a transfer pricing standpoint, participants' making cash deposits (i.e., depositing with the header) and those drawing down from the cash pool (i.e., borrowing from the header) need to earn and pay arm's length amounts from and to the header, similar to if the header were an independent third-party financial intermediary, or bank.

Interest payments should therefore be representative of the prevailing rate in the market or the banking industry but also need to take into account the credit risk borne by parties advancing the cash. Often, to take account of such credit risk, tax authorities will expect the credit rating of participants (and where applicable the header) to be factored into the determination of the applied rates. Moreover, if foreign exchange rate or other risks are assumed by the header, additional remuneration will likely need to be built into the pricing of the transactions by way of discounting the rate paid to participants on deposits and increasing the rate paid by participants on loans. Alternatively, and depending upon the activities performed by the header and the level of discretionary decision-making, the header could only earn a routine return (as a service provider) with all other pooling losses or profits allocated back to the participants based upon their pro rata contribution to the generation of such profits or losses. In terms of substance, from a transfer pricing perspective, the MNC wishing to adopt a large-scale physical cash pooling arrangement should be able to illustrate the economic substance of the arrangement, i.e., for physical cash pooling, illustrating that the header actually has the financial wherewithal to support its characterisation as a financial intermediary and any associated functions and risks it bears. Additionally, it is important that the MNC be able to illustrate the tangible benefits that the header provides to the participant for its participation in the cash pool.

Notional pooling

From a transfer pricing perspective, although no physical intra-group cash transfers are made between the header and participants, a key consideration relates to the setting of the debit and credit interest rates that will be payable and receivable by the participants to and from the bank administering the cash pooling arrangement. As mentioned above, by entering into a notional cash pool, due to cross guarantees usually stipulated in the cash pool agreement with the bank, depositing participants effectively guarantee overdrawn entities. As such, the debit and credit interest rates to be administered by the bank need to take account of

these cross guarantees and the setting of these debit and credit interest rates effectively translate to the payment of arm's length guarantee fees among the participants and between the participants and header, where relevant.

In addition to this, under a notional pool, the functional characterisation of the header is often a service provider. Hence, a common form of the transaction is that the header will incur certain costs centrally that need to be allocated to the participants, in a manner that reflects the pro rata use and contribution to the notional cash pool. Under such conditions, it is also usually appropriate to determine a profit element to be earned by the header over the costs that it incurs in carrying out the cash pooling service-related functions.

Under such a characterisation of the header, the benefits to the cash pooling operation would almost entirely lie with the participants as opposed to the header which would mean that the risks assumed should also lie with the participants and not the header, e.g. effectively all credit risk. Care should be taken with foreign exchange rate risk, as this may be difficult to identify where the participants have different functional currencies but will in practice arise to one or more of the participants in a mixed currency notional pool.

In other, perhaps rarer instances, the characterisation and hence remuneration to the header might vary depending upon the level of discretionary authority the header ultimately has, i.e., does it actively make investment decisions on behalf of the participants, or is its participation much more passive with the service characterisation being more appropriate.

3.1.2.6. Procedures and requirements for obtain double tax treaty relief in selected regional territories

Country	Domestic interest WHT rate	UAE DTT rate	Procedures and requirements
Egypt	20%	10%	• Outbound interest payments are subject to a 20% withholding tax, unless a domestic exemption applies, or withholding tax is reduced under a double tax treaty (10% under the UAE-Egypt double tax treaty). • Whilst double tax treaty relief may technically be applied at source, in practice, withholding tax is often deducted at source, in which case the ADGM RTC would need to request a withholding tax refund from the Egyptian tax authority within six months from the date of receiving the payment. • Claiming a refund of withholding tax can take up to 6 months.
Jordan	10%	7%	• Outbound interest payments are subject to a 10% withholding tax. • The Jordan-UAE double tax treaty reduces withholding tax on interest to 7%. This reduced rate would need to be applied at source, as the difference between the domestic and treaty rate cannot be refunded in Jordan. • The application of double tax treaty relief in Jordan is often challenged, and it may be recommended to apply for a tax ruling in advance.
Lebanon	10%	0%	• Outbound interest payments are subject to a 10% withholding tax, unless withholding tax is reduced under a double tax treaty (0% under the Lebanon-UAE double tax treaty). • The Lebanon-UAE double tax treaty may be automatically applied, subject to the ADGM RTC producing a valid UAE TRC. • It is possible to apply for an Advanced Tax Ruling ('**ATR**') to confirm the exemption from withholding tax under the Lebanon-UAE double tax treaty.

Country	Domestic interest WHT rate	UAE DTT rate	Procedures and requirements
Saudi Arabia (KSA)	5%	0%	• Outbound interest payments are subject to a 5% withholding tax, unless withholding tax is reduced under a double tax treaty (0% under the KSA-UAE double tax treaty as from 1/1/2020). • The General Authority of Zakat and Tax ('**GAZT**'), from 9 June 2013 onwards, offers a choice of automatic application of a relevant tax treaty without going through the refund procedure. This procedure requires: 1 The KSA company to report in its monthly WHT returns details of each payment made to the ADGM RTC and other non-resident parties (beneficiaries); 2 The ADGM RTC to submit a treaty application form together with a UAE TRC; 3 Undertake full responsibility for any understatement of tax, including penalties. • Because the double tax treaty between the UAE and KSA has only recently entered into force and is currently untested, it is advised to obtain an ATR from GAZT on the application of the UAE-KSA double tax treaty to transactions with the ADGM RTC.

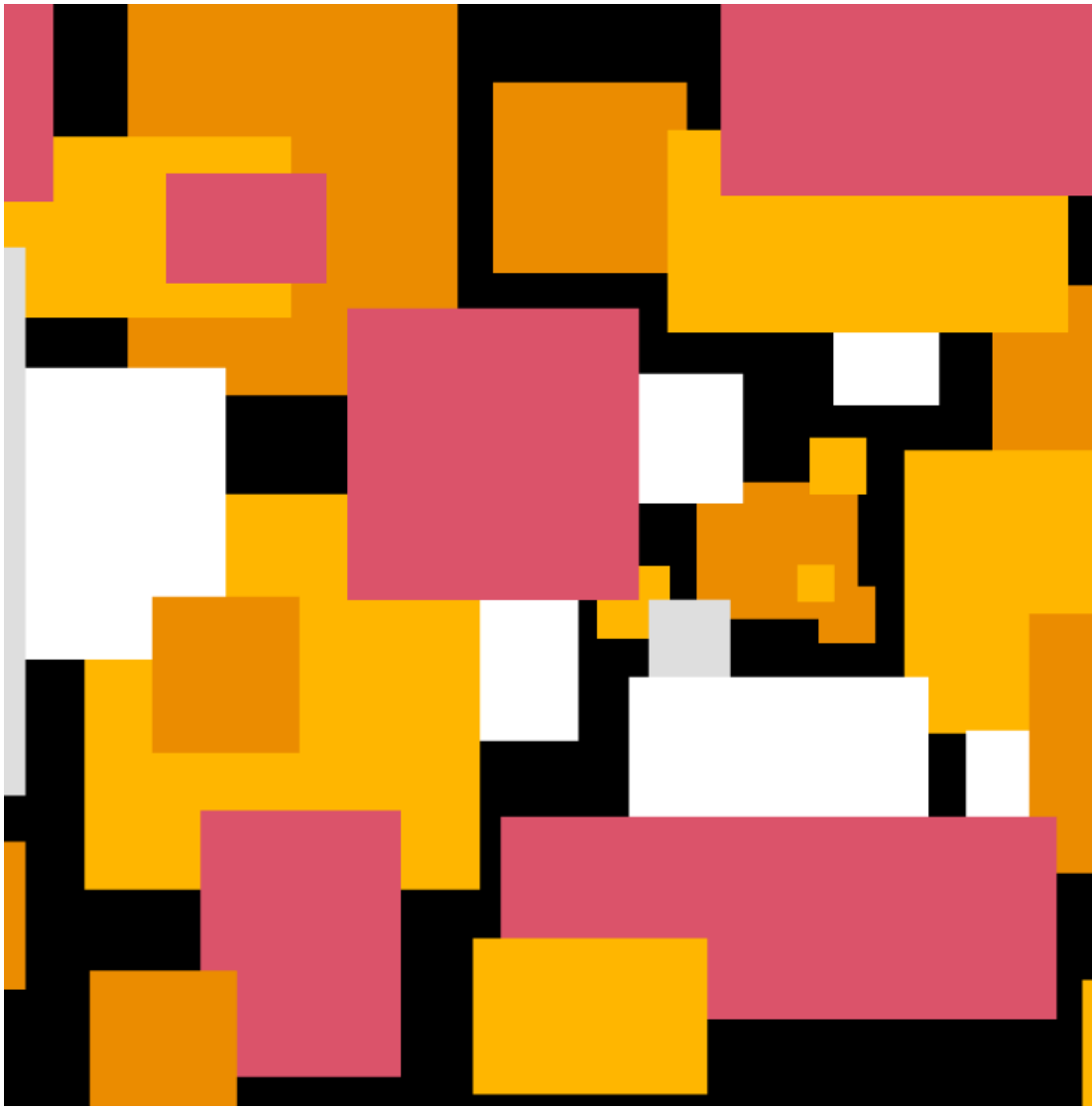
4. Comparison with other RTC centres

Selecting a location to establish an RTC requires consideration of a number of factors. Geographic location, political and economic stability, market access and a well-established tax, legal and regulatory environment are just some of the considerations MNC's will need to take into account.

The table below provides a high-level comparison between commonly used jurisdictions for treasury activities. While all these jurisdictions are potentially suitable and attractive RTC locations, the ADGM regime is particularly favourable because of its tax and regulatory regime, the wide and favourable UAE double tax treaty network, and the low VAT rate in the UAE.

[19]	UAE	UK	USA	Ireland	Netherlands	Switzerland	Hong Kong	Singapore
Tax rate	0%	19% (17% from 2020)	21% (federal CIT rate)	12.5%	25%	11.5 – 24.2%	16.5%	17%
Complexity of tax rules	🟢	🟡	🔴	🟢	🟡	🟢	🟡	🟡
Transfer pricing regime and rulings	🟡	🟡	🔴	🟡	🟡	🟢	🟡	🟡
Number of DTTs (including pending)	124	131	67	74	97	98	41	90
Non-taxable FX management	🟢	🟢	🔴	🟢	🟢	🔴	🟢	🟢
VAT/GST (standard rates)	5% Interest is exempt. Fees are generally subject to 5% VAT	20% In general, financial services are exempt from VAT	Sales Tax is levied at state and local level. Sales Tax rates range from 0% – 7.25%.	23% In general, financial services are exempt from VAT	21% In general, financial services are exempt from VAT	7.7% In general, financial services are exempt from VAT	No VAT/GST	7% In general, financial services are exempt from VAT
Domestic WHT on interest	0%	20%	30%	0/20%[20]	0%	0%	0%	0/15%[21]
Average WHT rate on interest[22]	6.63%	7.08%	8.75%	7.08%	6.42%	7.92%	8.33%	8.50%

[19] The coloured Harvey Balls are an indication only of the ease of use of each regime and should not be treated as objective qualification.
[20] 0% interest paid to EU or double tax treaty country.
[21] Interest payments to overseas banks and approved network companies are exempt from withholding where the funds borrowed are used for approved treasury activities.
[22] Average network withholding rate on interest payments from participating territories to RTCs in comparison jurisdictions (among double tax treaties with participating territories). Lower rates may be applicable if the RTC qualifies as a financial institution.



Appendices

Appendix 1. Overview of the UAE/ADGM environment

1.1 United Arab Emirates

	United Arab Emirates
Headline corporate income tax rate	**Current income tax position** The UAE currently has no system of federal income taxation. Instead, most of the Emirates (including the Emirate of Abu Dhabi) enacted their own corporate tax decrees in late 1960s. These Emirate corporate tax decrees (as amended) are of general application and remain to be in force. Under the Emirate-level tax decrees, corporate income tax may be imposed on companies (including branches and permanent establishments of non-resident entities) at rates of up to 55%. However, in practice, corporate income tax is currently only enforced in respect of the production of oil and gas or extraction of other natural resources in the UAE and some petrochemical activities. In addition, some of the Emirates have their specific banking tax decrees, which impose corporate income tax on branches of foreign banks at the rate of 20%. The activities of a RTC should not fall within the scope of these banking tax decrees. Entities established within a designated Free Trade Zone ('**FTZ**') are subject to the rules and regulations (and tax regime) of that FTZ, rather than the 'onshore' Emirate corporate tax decree. FTZs generally offer companies and branches an exemption from all (Emirate level) taxes, or a 0% tax rate. The length of these tax holidays varies between 15 and 50 years, with a possibility of renewal upon expiry. ADGM offers a 0% corporate income tax rate to companies and branches registered in ADGM. **Future income tax position** Based on public sources, we understand the UAE is looking into the possible introduction of a Federal corporate income tax. No official statements have been made by the UAE in this regard, beyond general statements in the media and references to economic impact studies being carried out. As such, there is currently no visibility on the scope of application of any future Federal corporate income tax regime, or on the interaction between a Federal corporate income tax and the existing Emirate Corporate Tax Decrees, and FTZ tax holidays. The two financial FTZs in the UAE – ADGM and Dubai International Financial Centre ("DIFC") – are the only FTZs in the UAE that were established by a Federal Decree and may potentially offer protection against a future Federal corporate income tax. Other FTZs that were established under Emiri Decrees may only offer exemptions from Emirate-level taxation.
Substance requirements	The UAE currently has no formal substance requirements for tax purposes or for the application of double tax treaty benefits. However, at a minimum, a leased office space, local bank account, UAE resident general manager/director and locally audited financial statements would be required in order to obtain a UAE TRC. **Economic substance requirements** As part of the commitment made to the EU Code of Conduct Group (Business Taxation) in order to be removed from the EU Blacklist of Tax Havens (and be placed on the 'grey list'), the UAE is expected to issue economic substance regulations. No draft regulations have been made public at the date of this report. The expectation is that the UAE regulations will be in line with economic substance legislation issued by the Channel Islands and other 'grey-listed' countries.
VAT treatment of Treasury Activities and ability to recover input VAT	VAT was introduced in the UAE as of 1 January 2018 at the general rate of 5%. Certain goods and services are subject to a 0% rate or an exemption from VAT (subject to specific conditions being met). Depending on the location of the recipient of the RTC's treasury and group financing activities (the UAE, other GCC VAT Implementing States, or different territories), interest and FX margins should be exempt or zero-rated, and treasury transaction and advisory services would attract 5% or 0% VAT in the UAE. Excess input VAT can be claimed back from the Federal Tax Authority, or carried forward and deducted from future output VAT.
Withholding tax on outbound payments (interest, fees)	There are no withholding taxes in the UAE.

	United Arab Emirates
Stamp duty, capital tax, transactional taxes	No stamp, capital or transactional taxes are imposed by the UAE.
Transfer pricing regulations and documentation requirements	The UAE joined the OECD Inclusive Framework on BEPS on 16 May 2018. Through joining the Inclusive Framework, the UAE has committed to implement BEPS Action 13 (transfer pricing documentation and CbC reporting) in the immediate to short term. We refer to the recent 'International tax developments' section below.
Foreign exchange restrictions/ regulations	There are no foreign exchange control restrictions in the UAE.
Scope and benefits of the UAE double tax treaty network (and its application to ADGM RTCs)	UAE resident companies have access to an extensive and growing double tax treaty network. These treaties may not be immediately relevant for obtaining relief from UAE taxation (as the UAE currently does not levy withholding tax or other forms of non-resident taxation) but can provide relief from taxation and compliance obligations in the foreign treaty partner countries.
CMAATM and CbCR MCAA	The UAE signed the Convention on Mutual Administrative Assistance on Tax Matters ("CMAATM") on 21 April 2017. This Convention is a comprehensive multilateral instrument and provides for all forms of administrative assistance in tax matters, including exchange of information on request, spontaneous exchange of information, and automatic exchange of information. The UAE has also signed up for the Multilateral Competent Authority Agreement ("MCAA"), which is a supplement to the CMAATM used to implement Common Reporting Standards ("CRS"). As such, the government-to-government mechanism for implementing CbCR in the UAE could be achieved by the UAE signing the CbCR MCAA.
Other	The MoF has signed memorandum of understandings ('MoUs')23 on transparency and information exchange with ADGM, DIFC, Dubai Multi Commodities Centre, Fujairah Free Zone Authority, Jebel Ali Free Zone, Ras Al Khaimah Free Trade Zone, Ras Al Khaimah Investment Authority and Umm Al Quwain Free Trade Zone Authority. These MoUs have been signed to ensure the implementation of international standards of transparency in the exchange of information for tax purposes, as per OECD regulations and principles.
Regulatory/licensing requirements for the ADGM RTC	As an entity that engages in intra-group financing activities, an ADGM RTC would be a non-regulated entity and fall under the general ADGM Companies Regulations. The ADGM RTC can be established as a private company limited by shares and obtain a licence to carry on one or a combination of the activities set out in section 2.2.2. **Single member company** It is possible to incorporate a single member ADGM RTC. **Minimum capital requirements** In accordance with article 5 of the ADGM Companies Law there is no minimum capital requirement for an ADGM RTC. **Mandatory statutory positions** An ADGM RTC must at a minimum appoint a natural person as director to manage the day to day affairs of the ADGM RTC. **Office premises** Any licensee seeking to incorporate an ADGM RTC must, as a pre-condition to obtaining an ADGM licence, have rights to occupy premises in ADGM. The size of the office premises is positively correlated to the number of visas that can be sponsored through the ADGM RTC. **Incorporation documentation**

[23] https://www.mof.gov.ae/en/StrategicPartnerships/DoubleTaxtionAgreements/Pages/InformationExchange.aspx

	A number of constitutive documents, amongst other documents, of the shareholders of the ADGM Company will need to be presented to the ADGM authority in order for to incorporate an ADGM Companies. Those documents must be in English language, Arabic language, or in dual English and Arabic language. The necessary documents include: • full legal name and full address for general manager, shareholder (and the number of shares); • signed registration and licensing application form by the manager, shareholder(s), director(s) and secretary; • passport copy of the manager, the director(s) and secretary with the UAE residency visa page if applicable; • if the manager holds a UAE residency visa and is a non-UAE national, a no objection certificate must be produced by current employment sponsor; • if the shareholder is a corporate body: passport copy of the authorised signatories of the shareholder(s), copies of the certificate of incorporation, certificate of good standing and the memorandum and articles of association of the shareholder(s); and • board resolution to incorporate the new entity. **Timing to incorporate** The incorporation of an ADGM RTC would generally take approximately two (2) to four (4) weeks from the date of receipt of the required documentation.
Ability of the ADGM RTC to be leader of a (physical or notional) cash pool	From a regulatory perspective, there is nothing that would prohibit an ADGM RTC to act as the leader of a physical or notional cash pool (provided the other participants are group companies).
Ability of the ADGM RTC to open local and foreign currency accounts in the UAE or abroad	An ADGM RTC may open accounts with banks operating in either ADGM, onshore UAE, or in foreign territories. Federal law restricts banks operating in ADGM from accepting UAE Dirham deposits or engaging in currency exchange activities involving UAE Dirham. ADGM RTC accounts opened with onshore banks are not restricted from holding UAE Dirham and onshore banks may offer banking and currency exchange services to ADGM RTCs without restrictions.

Appendix 2. Tax and Regulatory Framework of Middle East jurisdictions and regional territories

Set out below are the tax and regulatory framework of Middle East jurisdictions (Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar and Saudi Arabia), India and Pakistan and Turkey (the regional territories) that may be covered by RTCs based in ADGM, with a focus on the key tax and non-tax implications of providing treasury services to those countries from ADGM.

2.1 Bahrain

	Bahrain
Taxation	
Taxation of interest earned on credit balances	Nil (46% for Oil and Gas operations)
Deductibility of interest and fees paid to the ADGM RTC/cash pool header	Not applicable
Tax on interest paid to ADGM RTC on debit balances	Nil
Thin capitalisation, interest capping and/or other interest deductibility restrictions	No
Transfer pricing rules and documentation requirements	No
PE/taxable presence exposure for the ADGM RTC in Bahrain	No
VAT treatment of treasury transactions and services rendered by the ADGM RTC to local group companies in Bahrain	Interest earned by the ADGM RTC or local group companies in Bahrain would likely be zero rated. Reverse charge would be applicable on services rendered by the ADGM RTC, i.e. output VAT would need to be declared in Bahrain and the recovery of input VAT would depend on whether the expenses are incurred in the making of the Bahrain participant's taxable supplies.
Stamp duty/transactional taxes applicable to intercompany borrowings/lendings	No
Regulatory	
Regulatory/licensing requirements for the ADGM RTC in Bahrain	No
Ability of the ADGM RTC to open a local currency account	Yes
Ability of the ADGM RTC to open a local foreign currency account	Yes
Ability of the local group company to open a local foreign currency account	Yes

Ability of local group company to open an overseas bank account	Yes
Whether notional pooling is allowed in Bahrain	Yes
Whether cross-border physical cash pooling/zero balancing is allowed in Bahrain	Yes
Foreign exchange controls in Bahrain	No

2.2 Egypt

	Egypt
Taxation	
Taxation of interest earned on credit balances	22.5%
Deductibility of interest and fees paid to the ADGM RTC/cash pool header	Yes, provided certain requirements are met.
Tax on interest paid to ADGM RTC on debit balances	Interest paid by an Egyptian tax resident to a foreign recipient is subject to 20% withholding tax, unless the term of the loan exceeds three years. However, this rate can be reduced to 10% under the Egypt-UAE double tax treaty.
Thin capitalisation, interest capping and/or other interest deductibility restrictions	A 4:1 debt-to-equity ratio applies. The tax deduction for any interest on debt exceeding this ratio is disallowed. In addition, the deduction is disallowed for interest paid that exceeds twice the credit and discount rate (announced by the central bank at the beginning of each calendar year). The interest rate on loans between related parties must be at arm's length and supported by proper transfer pricing documentation.
Transfer pricing rules and documentation requirements	Yes. The updated Egyptian Transfer Pricing Guidelines introduced the three-tiered approach to transfer pricing documentation and include the mandatory filing on an annual basis of the master file, local file, and the Country-by-Country Report ('CbCR').
PE/taxable presence exposure for the ADGM RTC in Egypt	Maintaining local bank accounts and entering into financing and service arrangements with Egyptian group companies should, in itself, not create a PE or other form of taxable presence in Egypt for the ADGM RTC.
VAT treatment of treasury transactions and services rendered by the ADGM RTC to local group companies in Egypt	Recipients of loans and services from non-residents are required to calculate VAT and pay it to the tax authority within 30 days from the date that the services were performed under the reverse charge mechanism. There may be exemptions from VAT for loans in some instances.
Stamp duty/transactional taxes applicable to intercompany borrowings/lendings	No, stamp duty applies only on borrowing and lending from local banks or from the local banks' overseas branches.
Regulatory	
Regulatory/licensing requirements for the ADGM RTC in Egypt	No
Ability of the ADGM RTC to open a local currency account	Yes, subject to certain conditions.
Ability of the ADGM RTC to open a local foreign currency account	Yes, subject to certain conditions.

	Egypt
Ability of the local group company to open a local foreign currency account	Yes, subject to certain conditions.
Ability of local group company to open an overseas bank account	Yes, subject to certain conditions.
Whether notional pooling is allowed in Egypt	Yes, subject to certain conditions.
Whether cross-border physical cash pooling/zero balancing is allowed in Egypt	Yes, subject to certain conditions.
Foreign exchange controls in Egypt	Yes, certain restrictions apply to the export of capital and repatriation of income.

2.3 India

	India
Taxation	
Taxation of interest earned on credit balances	30% general Indian corporate tax rate (effective tax rate is 34.94% after taking into account surcharge and cess). However, where the total turnover or the gross receipt in the financial year 2017-18 does not exceed INR 2.5billion the tax rate would be 25% (effective tax rate is 29.12% after taking into account surcharge and cess).
Deductibility of interest and fees paid to a regular UAE company	Yes, provided certain requirements are met.
Tax on interest paid to ADGM RTC on debit balances	**Interest paid to ADGM RTC by Indian company:** a The withholding tax rate of 20% (plus applicable surcharge and cess) under the domestic tax laws. b UAE-India double tax treaty offers a 5% withholding tax rate for interest paid by Indian borrowers to a UAE bank or a similar financial institution (withholding tax rate of 12.5% in all other cases). This is subject to the UAE company being the beneficial owner of the interest income and UAE entity satisfying the conditions prescribed under the treaty and domestic tax laws. **Fees paid to ADGM RTC by Indian company:** a The withholding tax rate of 10% (plus applicable surcharge and cess) under the domestic tax laws (assuming no PE of UAE company in India). b UAE-India double tax treaty does not contain any specific clause for taxability of fees. In event that the fees are considered as 'Other income ' under the treaty then the same is not taxable in India (subject to UAE entity satisfying the conditions prescribed under the treaty and domestic tax laws).

	India
Thin capitalisation, interest capping and/or other interest deductibility restrictions	Rules for limitation of Interest Deduction Section 94B of the India Income tax Act. The provisions introduced are applicable in the cases of interest payments by a taxpayer being an Indian company or a permanent establishment ('**PE**') of a foreign company, to its non-resident associated enterprise. The borrowings from an unrelated party are also covered if they are guaranteed (explicitly or implicitly) by the associated enterprise. Further, a payment threshold of INR 10 million has been prescribed. Interest in excess of 30% of Earnings Before Interest, Taxes, Depreciation and Amortisation ('**EBITDA'**) is to be disallowed from a tax perspective. Restricted interest can be carried forward and deducted in future periods if additional capacity arises. Unused interest capacity can be carried forward up to eight consecutive years.
Transfer pricing rules and documentation requirements	The Indian Transfer Pricing Regulations stipulate that income arising from 'international transactions' between 'associated enterprises' should be computed having regard to the 'arm's-length price'. Furthermore, any allowance for expenses or interest arising from any international transaction is also to be determined having regard to the arm's-length price. Taxpayers are also required to maintain a comprehensive set of prescribed information and documents relating to international transactions and specified domestic transactions that are undertaken between associated enterprises, on an annual basis, within the prescribed timelines (due date of filing the income tax return).
PE/taxable presence exposure for the ADGM RTC in India	Maintaining local bank accounts and entering into financing and service arrangements with Indian group companies should, in itself, not create a PE or other form of taxable presence in India for the ADGM RTC.
VAT treatment of treasury transactions and services rendered by the ADGM RTC to local group companies in India	**Interest paid to a UAE company by Indian company:** The general GST treatment for a supply (e.g. a loan) which generates interest income is specifically exempt for GST purposes. **Fees paid to a UAE company by Indian company:** Indian entity to pay GST under reverse charge mechanism subject to place of supply for such fees falling in India. Indian entity registered under the GST Law, can avail the input tax credit of such GST paid under reverse charge subject to the entity having taxable output supplies and satisfaction of prescribed conditions under the GST Law.
Stamp duty/transactional taxes applicable to intercompany borrowings/lendings	Stamp duty is applicable on the signing of legal agreements (e.g. loan/debenture agreements).
Regulatory	
Regulatory/licensing requirements for the ADGM RTC in India	N/A, see below, exchange control regulations do not permit an Indian company to be a part of a cash pooling arrangement.
Ability of the ADGM RTC to open a local currency account	N/A
Ability of the ADGM RTC to open a local foreign currency account	N/A
Ability of the local group company to open a local foreign currency account	N/A

	India
Ability of local group company to open an overseas bank account	N/A
Whether notional pooling is allowed in India	No
Whether cross-border physical cash pooling/zero balancing is allowed in India	No
Foreign exchange controls in India	Yes, India has exchange control regulations, and borrowing in foreign currency is subject to various restrictions such as end use, interest rate cap, maturity period, etc. Currently, in an inbound scenario 'Exchange control regulations' do not permit an Indian company to be a part of a cash pooling arrangement.

2.4 Iraq

	Iraq
Taxation	
Taxation of interest earned on credit balances	15% CIT on interest earned on deposits by the participant to the header (35% for Oil and Gas operations).
Deductibility of interest and fees paid to the ADGM RTC/cash pool header	Yes, provided certain requirements are met.
Tax on interest paid to ADGM RTC on debit balances	In general, interest paid by an Iraqi resident to a non-resident is taxed at a rate of 15%.
Thin capitalisation, interest capping and/or other interest deductibility restrictions	No
Transfer pricing rules and documentation requirements	There are no specific transfer pricing rules, but the Iraq tax authorities reserve the right to adjust the taxable profits of an entity if they consider the amounts to be unreasonable.
PE/taxable presence exposure for the ADGM RTC in Iraq	Maintaining local bank accounts and entering into financing and service arrangements with Iraqi group companies should, in itself, not create a PE or other form of taxable presence in Iraq for the ADGM RTC.
VAT treatment of treasury transactions and services rendered by the ADGM RTC to local group companies in Iraq	No VAT or sales tax applicable to treasury transactions.
Stamp duty/transactional taxes applicable to intercompany borrowings/lendings	No

	Iraq
Regulatory	
Regulatory/licensing requirements for the ADGM RTC in Iraq	No
Ability of the ADGM RTC to open a local currency account	No
Ability of the ADGM RTC to open a local foreign currency account	No
Ability of the local group company to open a local foreign currency account	Yes
Ability of local group company to open an overseas bank account	Yes
Whether notional pooling is allowed in Iraq	Yes
Whether cross-border physical cash pooling/zero balancing is allowed in Iraq	Yes, subject to certain conditions.
Foreign exchange controls in Iraq	No

2.5 Jordan

	Jordan
Taxation	
Taxation of interest earned on credit balances	The corporate tax rates in Jordan are based on the industry/business activities from which the taxpayer generates income. The corporate income tax rates are as follows: • 24% for main telecommunications companies, insurance and reinsurance companies, financial intermediation and brokerage firms, currency exchange companies, juristic persons who undertake financial leasing activities, companies that undertake generating and distributing of electricity activities and companies that undertake mining raw materials activities; • 35% for banks; and • 20% for other companies that are not listed above. A national contribution tax will apply on taxable income of individuals and all legal persons at different rates depending on the sector. The rates are set out below: • Banks and companies that undertake generating and distributing of electricity activities: 3% • Companies that undertake mining raw materials activities: 7% • Financial intermediation and brokerage firms, currency exchange companies, juristic persons who undertake financial leasing activities: 4% • Main telecommunications companies, insurance and reinsurance companies: 2% • Other companies not listed above: 1%
Deductibility of interest and fees paid to the ADGM RTC/cash pool header	Yes, provided certain requirements are met.

	Jordan
Tax on interest paid to ADGM RTC on debit balances	Interest paid by an entity resident in Jordan to a non-resident person is generally subject to Jordanian withholding tax at 10% (5% withholding tax if the payer is a Jordanian Bank). However, this rate can be reduced to 7% under the UAE-Jordan double tax treaty.
Thin capitalisation, interest capping and/or other interest deductibility restrictions	A 3:1 debt to equity ratio would apply in respect of related party debt (e.g., shareholder debt etc.). No restriction should apply on unrelated party financing. Interest (including capitalised interest) on the related party debt exceeding the 3:1 debt to equity ratio would not be deductible for CIT purposes. For the purposes of the debt to equity ratio, equity is the higher of: (i) paid in share capital, or (ii) average equity.
Transfer pricing rules and documentation requirements	There are no specific transfer pricing rules in Jordan, however the law states that pricing should be as per the market value.
PE/taxable presence exposure for the ADGM RTC in Jordan	Maintaining local bank accounts and entering into financing and service arrangements with Jordanian group companies should, in itself, not create a PE or other form of taxable presence in Jordan for the ADGM RTC.
VAT treatment of treasury transactions and services rendered by the ADGM RTC to local group companies in Jordan	A 16% sales tax should be applicable if the non-resident recipient is not a regional financial institution. It is the liability of the Jordanian resident entity to pay this 16% sales tax to the Jordanian tax authority. In the event the 10% withholding tax and 16% sales tax is not paid, the non-resident investor should not be liable for the un/under-paid tax.
Stamp duty/transactional taxes applicable to intercompany borrowings/lendings	Yes
Regulatory	
Regulatory/licensing requirements for the ADGM RTC in Jordan	No
Ability of the ADGM RTC to open a local currency account	Yes
Ability of the ADGM RTC to open a local foreign currency account	Yes
Ability of the local group company to open a local foreign currency account	Yes
Ability of local group company to open an overseas bank account	Yes
Whether notional pooling is allowed in Jordan	Yes
Whether cross-border physical cash pooling/zero balancing is allowed in Jordan	Yes
Foreign exchange controls in Jordan	No

2.6 Kuwait

	Kuwait
Taxation	
Taxation of interest earned on credit balances	The standard rate of corporate income tax is 15%. The Kuwaiti group company/participant and ADGM RTC should not be subject to corporate income tax or withholding tax in Kuwait. Instead, the foreign (non-GCC) parent would need to report and pay corporate income tax on the Kuwaiti sourced interest and other income earned by the ADGM RTC, unless relief from taxation under a double tax treaty (between Kuwait and the jurisdiction of the parent company) can be successfully applied.
Deductibility of interest and fees paid to the ADGM RTC/cash pool header	Yes (if related to operations in Kuwait)
Tax on interest paid to ADGM RTC on debit balances	Kuwaiti tax law does not impose withholding tax. However, all public bodies and private entities are required to retain 5% from the contract, agreement, or transaction value or from each payment made to any incorporated body until presentation of a tax clearance certificate by the recipient of such payment from the MoF confirming that the respective company has settled all of its tax liabilities in Kuwait.
Thin capitalisation, interest capping and/or other interest deductibility restrictions	No
Transfer pricing rules and documentation requirements	There is no transfer pricing law in Kuwait. However, Executive Rule No. 49 to the Kuwait Tax Law states that inter-company transactions should be comparable to transactions among companies that are not legally or financially associated. It also states that the Kuwait Tax Authority is entitled to inspect such transactions to ensure that they are made on an arm's-length basis and not made for obtaining illegal tax privileges.
PE/taxable presence exposure for the ADGM RTC in Kuwait	Maintaining local bank accounts and entering into financing and service arrangements with Kuwaiti group companies should, in itself, not create a PE or other form of taxable presence in Kuwait for the ADGM RTC.
VAT treatment of treasury transactions and services rendered by the ADGM RTC to local group companies in Kuwait	No. The GCC framework agreement is currently under discussion in the Parliament while the draft law is under preparation by the government.
Stamp duty/transactional taxes applicable to intercompany borrowings/lendings	No
Regulatory	
Regulatory/licensing requirements for the ADGM RTC in Kuwait	No
Ability of the ADGM RTC to open a local currency account	Yes
Ability of the ADGM RTC to open a local foreign currency account	Yes

	Kuwait
Ability of the local group company to open a local foreign currency account	Yes
Ability of local group company to open an overseas bank account	Yes
Whether notional pooling is allowed in Kuwait	Yes
Whether cross-border physical cash pooling/zero balancing is allowed in Kuwait	Yes
Foreign exchange controls in Kuwait	No

2.8 Lebanon

	Lebanon
Taxation	
Taxation of interest earned on credit balances	17% CIT (increased from 15% starting October 2017) on interest earned on deposits by the participant with the header.
Deductibility of interest and fees paid to the ADGM RTC/cash pool header	Yes, provided certain requirements are met.
Tax on interest paid to ADGM RTC on debit balances	10%. However, this rate can be reduced to 0% under the UAE-Lebanon double tax treaty.
Thin capitalisation, interest capping and/or other interest deductibility restrictions	Yes, for related party borrowing.
Transfer pricing rules and documentation requirements	Yes. However, there are no proper transfer pricing documentation requirements in Lebanon yet.
PE/taxable presence exposure for the ADGM RTC in Lebanon	Maintaining local bank accounts and entering into financing and service arrangements with Lebanese group companies should, in itself, not create a PE or other form of taxable presence in Lebanon for the ADGM RTC.
VAT treatment of treasury transactions and services rendered by the ADGM RTC to local group companies in Lebanon	The general VAT treatment for a supply (e.g. a loan) which generates interest income is exempt for VAT purposes as it falls within the ambit of financial services. The general VAT treatment for a supply which generates fee or commission income is taxable for VAT purposes. That is, VAT should be charged at the standard rate of 11% if the recipient resides in Lebanon under the reverse charge mechanism. Registered businesses can recover VAT incurred on expenses to the extent that it is related to VATable activities (i.e. standard or zero rated supplies on fee or commission income) and disallows recovery of input VAT incurred on expenses to the extent that it relates to the making of exempt supplies (e.g. interest income earned from Lebanese recipients).

	Lebanon
Stamp duty/transactional taxes applicable to intercompany borrowings/lendings	Yes
Regulatory	
Regulatory/licensing requirements for the ADGM RTC in Lebanon	No
Ability of the ADGM RTC to open a local currency account	Yes
Ability of the ADGM RTC to open a local foreign currency account	Yes
Ability of the local group company to open a local foreign currency account	Yes
Ability of local group company to open an overseas bank account	Yes
Whether notional pooling is allowed in Lebanon	Yes
Whether cross-border physical cash pooling/zero balancing is allowed in Lebanon	Yes
Foreign exchange controls in Lebanon	No

2.8 Oman

	Oman
Taxation	
Taxation of interest earned on credit balances	The standard rate of income tax is 15%. Qualifying small and medium enterprises (as defined in the income tax law) are subject to a lower 3% rate of income tax.
Deductibility of interest and fees paid to the ADGM RTC/cash pool header	Yes, provided certain requirements are met.
Tax on interest paid to ADGM RTC on debit balances	Interest paid to non-residents without an Oman PE should be subject to withholding tax at 10% (previously 0%). Where FX hedging arrangements are – based on the particular arrangements or circumstances – considered to include some payment for services, this element of the payment could fall within the scope of services withholding tax in Oman. There is limited precedent on which to determine the tax authority's views or practices across the range of potential FX hedging transactions, and arrangements would have to be considered based on their specific circumstances.

	Oman
Thin capitalisation, interest capping and/or other interest deductibility restrictions	Deductibility of related-party interest subject to debt-equity ratio 2:1. Related-party interest attributable to excess debt would be restricted (based on total of related-party and third-party debt and taking average balance between start and end of financial period). For completeness, deduction of interest on third-party debt is not restricted.
Transfer pricing rules and documentation requirements	Deductibility of related-party charges generally restricted to arm's length price. For these purposes, current tax authority practice is to limit related-party rate of interest to 6%. No formal transfer pricing regulations or documentation provisions in place.
PE/taxable presence exposure for the ADGM RTC in Oman	Maintaining local bank accounts and entering into financing and service arrangements with Omani group companies should, in itself, not create a PE or other form of taxable presence in Oman for the ADGM RTC.
VAT treatment of treasury transactions and services rendered by the ADGM RTC to local group companies in Oman	VAT Law expected to be implemented with effect from 1 January 2020 (subject to tax authority confirmation). Treatment of treasury transactions expected to follow GCC Framework and current international standards but subject to sight of Oman VAT Law.
Stamp duty/transactional taxes applicable to intercompany borrowings/lendings	No
Regulatory	
Regulatory/licensing requirements for the ADGM RTC in Oman	No
Ability of the ADGM RTC to open a local currency account	Yes
Ability of the ADGM RTC to open a local foreign currency account	Yes
Ability of the local group company to open a local foreign currency account	Yes
Ability of local group company to open an overseas bank account	Yes
Whether notional pooling is allowed in Oman	Yes
Whether cross-border physical cash pooling/zero balancing is allowed in Oman	Yes
Foreign exchange controls in Oman	No

2.9 Pakistan

	Pakistan
Taxation	
Taxation of interest earned on credit balances	Corporate tax rate is 30% (relevant for tax year 2018) will be reduced by 1% each year until a rate of 25% is applicable for tax year 2023 and onwards. The corporate tax rate for 'small companies', presently 25%, will also be reduced by 1% each year until a rate of 20% is applicable for tax year 2023 and onwards.
Deductibility of interest and fees paid to the ADGM RTC/cash pool header	Yes, provided certain requirements are met.
Tax on interest paid to ADGM RTC on debit balances	Generally, interest is subject to a 10% withholding tax (including under the UAE-Pakistan double tax treaty), where the non-resident creditor does not have a permanent establishment in Pakistan.
Thin capitalisation, interest capping and/or other interest deductibility restrictions	Where a foreign-controlled resident company (other than a financial institution or a banking company) or a branch of a foreign company operating in Pakistan has a foreign-debt-to-foreign-equity ratio in excess of 3:1 at any time during a year, a deduction shall be disallowed for the interest paid by the company in that year on that part of the debt that exceeds the 3:1 ratio.
Transfer pricing rules and documentation requirements	Transfer pricing documentation requirements have also recently been introduced in law in order to comply with the requirements of various international Conventions/Agreements executed by the government, inter alia, including the following: • Every taxpayer, being a member of a multinational entity group having turnover of more than PKR 100 million (approximately USD 708,000), is required to keep, maintain, and make available a 'Master File', containing certain prescribed information. • Every taxpayer entity in Pakistan that has undertaken transactions exceeding the monetary limit of PKR 50 million (approximately USD 354,000) with related parties is required to keep, maintain, and make available a 'Local File', containing the prescribed information.
PE/taxable presence exposure for the ADGM RTC in Pakistan	Maintaining local bank accounts and entering into financing and service arrangements with Pakistani group companies should, in itself, not create a PE or other form of taxable presence in Pakistan for the ADGM RTC.
VAT treatment of treasury transactions and services rendered by the ADGM RTC to local group companies in Pakistan	Yes. There should be no provincial sales tax implications on treasury transactions but there could be provincial sales tax implications on the services rendered by the ADGM RTC.
Stamp duty/transactional taxes applicable to intercompany borrowings/lendings	Yes
Regulatory	
Regulatory/licensing requirements for the ADGM RTC in Pakistan	No
Ability of the ADGM RTC to open a local currency account	Yes
Ability of the ADGM RTC to open a local foreign currency account	Yes, subject to certain conditions.

	Pakistan
Ability of the local group company to open a local foreign currency account	Yes
Ability of local group company to open an overseas bank account	No
Whether notional pooling is allowed in Pakistan	Yes
Whether cross-border physical cash pooling/zero balancing is allowed in Pakistan	Yes, subject to certain conditions.
Foreign exchange controls in Pakistan	Yes, foreign exchange regulations administered by the State Bank of Pakistan.

2.10 Qatar

	Qatar
Taxation	
Taxation of interest earned on credit balances	The standard rate of income tax is 10%.
Deductibility of interest and fees paid to the ADGM RTC/cash pool header	Yes, provided certain requirements are met.
Tax on interest paid to ADGM RTC on debit balances	Interest paid to non-residents is generally subject to a 5% (previously 7%) interest withholding tax. However, as per the Executive Regulations to the State of Qatar tax law, there is no withholding tax on interest paid on transactions, facilities and loans with banks and financial institutions.
Thin capitalisation, interest capping and/or other interest deductibility restrictions	Yes, for entities established in QFC.
Transfer pricing rules and documentation requirements	The executive regulations, which supplement Qatar's tax law, have made it clear that the anti-avoidance provision will be applied to related-party transactions. In determining the arm's-length value, the unrelated comparable price method should be used (i.e. the price of services or goods that would have been applied should the transaction be between unrelated parties). It is possible to make an application to the Qatar tax authorities to use another method approved by the OECD.
PE/taxable presence exposure for the ADGM RTC in Qatar	Maintaining local bank accounts and entering into financing and service arrangements with Qatari group companies should, in itself, not create a PE or other form of taxable presence in Qatar for the ADGM RTC.
VAT treatment of treasury transactions and services rendered by the ADGM RTC to local group companies in Qatar	Currently, Qatar imposes no VAT or sales tax on operations in Qatar. However, the introduction of VAT in Qatar under a common GCC framework is expected to be introduced in the near future.

	Qatar
Stamp duty/transactional taxes applicable to intercompany borrowings/lendings	No
Regulatory	
Regulatory/licensing requirements for the ADGM RTC in Qatar	No
Ability of the ADGM RTC to open a local currency account	Yes
Ability of the ADGM RTC to open a local foreign currency account	Yes
Ability of the local group company to open a local foreign currency account	Yes
Ability of local group company to open an overseas bank account	Yes
Whether notional pooling is allowed in Qatar	Yes
Whether cross-border physical cash pooling/zero balancing is allowed in Qatar	Yes
Foreign exchange controls in Qatar	No

2.11 Saudi Arabia

	Saudi Arabia
Taxation	
Taxation of interest earned on credit balances	2.5% Zakat or 20% CIT to the extent of non-Saudi/non GCC ownership.
Deductibility of interest and fees paid to the ADGM RTC/cash pool header	Yes, provided certain requirements are met.
Tax on interest paid to ADGM RTC on debit balances	Interest paid by a Saudi Arabian resident to a non-resident is subject to withholding tax at the rate of 5%. However, this rate can be reduced to 0% under the UAE-KSA double tax treaty from 1 January 2020.
Thin capitalisation, interest capping and/or other interest deductibility restrictions	Yes (interest capping rules)
Transfer pricing rules and documentation requirements	On 15 February 2019, KSA issued their final Transfer Pricing regulations which are well aligned with the OECD Guidelines, requiring KSA taxpayers to have transfer pricing documentation to support the pricing of their related party transactions. The Transfer Pricing documentation requirements apply for fiscal periods ending 31 December 2018 (and subsequent reporting years), with the deadline for certain reporting being as early as 30 April 2019.

	Saudi Arabia
	Each taxpayer, without any exception, is required to submit a Disclosure Form for Controlled Transactions (and a certification) along with their tax returns. In addition, every corporate taxpayer, with the exception of small enterprises, is required to maintain a Master File containing information on the global activities of the taxpayer, and a Local File containing detailed information on all of its transactions with related persons. Small enterprises are defined as taxpayers whose transactions with related persons do not exceed a value of SAR 6 million in a 12-month period.
PE/taxable presence exposure for the ADGM RTC in Saudi Arabia	Maintaining local bank accounts and entering into financing and service arrangements with Saudi group companies should, in itself, not create a PE or other form of taxable presence in Saudi Arabia for the ADGM RTC
VAT treatment of treasury transactions and services rendered by the ADGM RTC to local group companies in Saudi Arabia	Interest earned by the ADGM RTC or local group companies in Saudi Arabia would likely be zero rated. Reverse charge would be applicable on services rendered by the ADGM RTC, i.e. output VAT would need to be declared in Saudi Arabia and the recovery of input VAT would depend on whether the expenses are incurred in the making of the KSA participant's taxable supplies.
Stamp duty/transactional taxes applicable to intercompany borrowings/lendings	No
Regulatory	
Regulatory/licensing requirements for the ADGM RTC in Saudi Arabia	No
Ability of the ADGM RTC to open a local currency account	No
Ability of the ADGM RTC to open a local foreign currency account	No
Ability of the local group company to open a local foreign currency account	Yes
Ability of local group company to open an overseas bank account	Yes
Whether notional pooling is allowed in Saudi Arabia	Yes
Whether cross-border physical cash pooling/zero balancing is allowed in Saudi Arabia	Yes
Foreign exchange controls in Saudi Arabia	No

2.12 Turkey

	Turkey
Taxation	
Taxation of interest earned on credit balances	The CIT rate increased from 20% to 22% for 2018, 2019, and 2020 and would apply on any interest income and foreign exchange margins.
Deductibility of interest and fees paid to the ADGM RTC/cash pool header	Yes, provided certain requirements are met.
Tax on interest paid to ADGM RTC on debit balances	The taxation of interest generally differs based on the source of the interest (e.g. interest payments on loans made to non-resident lenders should generally be subject to Turkish withholding tax at the rate of 10%) and no further relief available under the UAE-Turkey double tax treaty. However, a 0% withholding tax may be applicable to interest payments made to foreign states, international institutions, or 'foreign banks and foreign corporations who are authorised in their own jurisdictions to customarily lend not only to related parties but also to third party individuals and legal persons' over the loan agreements.
Thin capitalisation, interest capping and/or other interest deductibility restrictions	The ratio of loans received from related parties to shareholders' equity must be no more than 3:1. If a loan is from a related party bank or similar financial institutions a 6:1 debt equity ratio applies.
Transfer pricing rules and documentation requirements	The Corporate Tax Law includes transfer pricing regulations, using the OECD's guidelines as a basis. If a taxpayer enters into transactions regarding services with related parties in which prices are not set in accordance with the arm's-length principle, the related profits are considered to have been distributed in a disguised manner through transfer pricing. Such disguised profit distribution through transfer pricing is not accepted as deductible for CIT purposes. The methods prescribed in the law are the traditional transaction methods described in the OECD's transfer pricing guidelines.
PE/taxable presence exposure for the ADGM RTC in Turkey	Maintaining local bank accounts and entering into financing and service arrangements with Turkish group companies should, in itself, not create a PE or other form of taxable presence in Turkey for the ADGM RTC
VAT treatment of treasury transactions and services rendered by the ADGM RTC to local group companies in Turkey	Intragroup financing usually attracts VAT either by reverse charge VAT or VAT depending on the case. If a foreign RTC lends to a Turkish company, reverse charge VAT applies. Exceptions may apply if a Turkish group company lends to a foreign group company under service export exemption provided certain conditions are met. On the other hand, interest on loans granted by foreign banks or banking services should not attract VAT. Reverse charge VAT can be recovered depending on the business of the Turkish group company.
Stamp duty/transactional taxes applicable to intercompany borrowings/lendings	Stamp tax is levied as a percentage of the value stated on the agreements at rates varying between 0.189% and 0.948%
Regulatory	
Regulatory/licensing requirements for the ADGM RTC in Turkey	No
Ability of the ADGM RTC to open a local currency account	Yes

	Turkey
Ability of the ADGM RTC to open a local foreign currency account	Yes
Ability of the local group company to open a local foreign currency account	Yes
Ability of local group company to open an overseas bank account	Yes
Whether notional pooling is allowed in Turkey	Yes. It is worth noting that although there is no special restriction on cash pooling, FX legislation disallows lending inbound and outbound on rotating revolving loan basis. However, this does not prevent cash pooling but may impact the mechanics.
Whether cross-border physical cash pooling/zero balancing is allowed in Turkey	Yes
Foreign exchange controls in Turkey	No, there is no restriction in obtaining a Turkish Lira loan. However, on May 2018, FX legislation has become more restrictive for obtaining FX loans from abroad in order to protect the value of Turkish Lira due to the significant depreciation recently. It is very detailed matter but in essence, except certain exemptions from restrictions, FX denominated loans can only be given to Turkish borrower who generate FX income from exporting and similar activities and the amount to be borrowed is capped at the amount of last 3 years FX generating income. If a company does not fall under one of the exemptions and its activities are not generating FX, it cannot borrow an FX loan.,

2.13 United Arab Emirates

	United Arab Emirates
Taxation	
Taxation of interest earned on credit balances	Nil (up to 55% for Oil and Gas operations and 20% for UAE branches of foreign banks). Interest, service fee, FX margins and other income earned by an ADGM RTC should not be subject to taxation in the UAE. There are no corporate tax implications in the UAE on the signing of intercompany loan and services agreements.
Deductibility of interest and fees paid to the ADGM RTC/cash pool header	N/A
Tax on interest paid to ADGM RTC on debit balances	No
Thin capitalisation, interest capping and/or other interest deductibility restrictions	No
Transfer pricing rules and documentation requirements	No, though CbC reporting is expected.

	United Arab Emirates
PE/taxable presence exposure for the ADGM RTC in the UAE	No
VAT treatment of treasury transactions and services rendered by the ADGM RTC to local group companies in the UAE	The general VAT treatment for interest income is exempt for VAT purposes as it falls within the ambit of financial services. The general VAT treatment for fee or commission income is taxable for VAT purposes. That is, VAT should be charged at the standard rate of 5% if the recipient resides in the UAE. Registered businesses can recover VAT incurred on expenses to the extent that it is related to the making of fee or commission income (i.e. standard or zero rated supplies) and disallows recovery of input tax incurred on expenses to the extent that it relates to the making of exempt supplies (e.g. interest income earned from UAE recipients).
Stamp duty/transactional taxes applicable to intercompany borrowings/lendings	There are no transactional tax implications in the UAE on the signing of intercompany loan and services agreements
Regulatory	
Regulatory/licensing requirements for the ADGM RTC in the UAE	No
Ability of the ADGM RTC to open a local currency account	Yes
Ability of the ADGM RTC to open a local foreign currency account	Yes
Ability of the local group company to open a local foreign currency account	Yes
Ability of local group company to open an overseas bank account	Yes
Whether notional pooling is allowed in the UAE	Yes
Whether cross-border physical cash pooling/zero balancing is allowed in the UAE	Yes
Foreign exchange controls in the UAE	No

Appendix 3. Tax analysis of commonly used RTC jurisdictions

3.1 United Kingdom

	United Kingdom
Headline Corporate Income Tax Rate	19% (17% from 1 April 2020)
Substance requirements	A company is a tax resident in the UK if it is either: • Incorporated in the UK; or • Centrally managed and controlled (i.e. highest level of decision making) in the UK; and not regarded as resident outside of the UK for purposes of the relevant double tax treaty (due to, for example, effective management and control being located in the other jurisdiction). Usually central management will be deemed to be in the UK if the UK company directors and key personnel have effective independent power to make strategic decisions and undertake this in the UK. The effective management test (or treaty tiebreaker, where a company is otherwise resident in both territories under domestic rules) will generally be met where the higher levels of commercial decision-making and management are UK based; routine day-to-day activities can take place outside the UK without interfering with UK residence. There are a range of factors to consider and no clear and definitive published guidance exists.
General taxation of treasury activities (e.g. taxation of interest, service fees, FX)	Resident companies are taxable in the UK on their worldwide profits. Interest, profits and losses (including exchange gains and losses) on loan relationships and derivative contracts are generally brought into account for corporation tax purposes based on the amounts reflected in the company's accounts prepared in accordance with UK GAAP or IFRS. There are, however, a number of overriding provisions e.g. in respect of certain transactions where the company is connected with the other party to the loan relationship. FX gains and losses are taxed in the same way as any other profit or loss from a loan relationship for tax purposes. Similarly, gains and losses (including exchange differences) arising on derivative contracts are treated in the same way as any other profit or loss on such contracts. The loan relationship rules would not apply to service fees (e.g. where treasury advice is provided to other group companies). Service fees would generally be taxed as trading income (if the recipient is considered to be trading) or as other miscellaneous income (for a non-trader). Service fees payable should generally be treated as deductible expenses. Loan relationship profits, trading profits and miscellaneous income are all subject to tax at the applicable headline rate (currently 19%).
Special tax regimes/incentives for treasury/group financing activities	There are no special tax regimes/incentives for treasury/group financing activities in the UK.
Deductibility of interest expense	Generally, interest is deductible in the UK on an accruals basis, subject to the following provisions: • Thin capitalisation and transfer pricing; • Anti-hybrid mismatch rules – these rules are aimed at rendering hybrid mismatch arrangements ineffective such that their application might result in the denial of a deduction for UK expenses or alternatively, impute taxable income within the charge to UK corporation tax;

	• Unallowable purpose rule – an unallowable purpose will exist if the main purpose, or one of the main purposes for which a company is a party to a loan relationship, or the purpose for which they enter into a related transaction, is to secure a tax advantage; • Late paid interest rules – these rules will apply to override the accruals basis (and instead deductions are only available on a paid basis). The rules were largely repealed but remain applicable to loans from investors in the case of a close company; • Loan relationships Targeted Anti-Avoidance Rule ('**TAAR**') – broadly applies where there is a main purpose of obtaining a loan-related tax advantage and there is a disparity between the loan relationships and economic outcomes, or the result is not consistent with the policies and principles underlying the loan relationships rules; • General Anti-Abuse Rule ('**GAAR**') – these rules will apply to arrangements where there is an abuse of the tax law and obtaining a tax advantage is one of the main purposes of the arrangement; and • More recently, Corporate Interest Restriction ('**CIR**') rules have been introduced to limit deductions that can be taken for financing costs. This applies equally to whether interest is paid to connected parties or independent lenders. These CIR rules broadly apply where the aggregate tax deductions for net financing costs of UK group companies exceed either 30% of tax EBITDA or, if the taxpayer elects, the ratio of group net interest expense compared to accounting EBITDA. Interest deductions are also subject to further debt cap limits broadly based on the net interest expense of the group. There is a de minimis exemption from rules, under which the first £2m of interest expense is allowable on a group wide basis. Where certain conditions are satisfied, restricted interest can be carried forward and deducted in future periods if additional capacity arises. Unused interest capacity can be carried forward for five years.
Thin capitalisation	The arm's length principle applies. The UK does not operate any 'safe harbours' of any kind in relation to the amount of debt or interest (or equivalents) it considers demonstrates that a UK company or group is not thinly capitalised.
Transfer pricing	Comprehensive transfer pricing rules are in place that are intended to apply to almost any kind of transaction made or imposed between related parties that gives rise to: • A provision that differs from one that would have been made between third parties; and • A UK tax advantage to one or more of the parties. These rules apply to domestic and cross-border transactions. The UK transfer pricing rules follow OECD principles. The rules include a requirement to prepare documentation to demonstrate compliance with the arm's length standard. HMRC operates an Advanced Thin Capitalisation Agreement ('ATCA') process which enables taxpayers to obtain a degree of certainty over the acceptable pricing approach and parameters with regard to their financing transactions.
Interest withholding tax	Interest paid to a non-resident is subject to 20% withholding tax unless the rate is reduced under a double tax treaty or the interest is exempt under the EU Interest and Royalties Directive ('**IRD**'). There are a number of other exceptions to this rule: • Payments of interest by UK resident companies if the beneficial owner of the interest is also a UK resident company, or a UK permanent establishment, provided the interest concerned will be taxed in the UK as part of the permanent establishment's trading profits. • Payments of interest on a quoted Eurobond. • Payments of interest paid to or by a UK bank (or a UK permanent establishment of a foreign bank). • Payments of 'short' interest. Broadly speaking, this is interest on loans that will not be in place for more than a year. • Payments of interest that do not 'arise' in the UK. Whether a payment constitutes UK-source interest is a complex issue, and specialist advice needs to be taken if seeking to use this exception. • Payments of interest on private placement debts (widely defined) of UK companies. Withholding tax applies only to annual interest (i.e. excluding interest on certain short-term loans). If the payments are in respect of loans that are not expected to be in place for more than

	a year (i.e. 'short interest') then no withholding obligation should arise. However, the application of the 'short interest' exemption requires careful consideration and simply rolling over loans of less than 12 months would not be expected to satisfy the exemption. Advanced clearance is required from HMRC before the UK payer is allowed to make payments of interest without withholding tax under a double tax treaty. The continuing application of the IRD post 29 March 2019 is dependent upon the outcome of negotiations in relation to the UK's withdrawal from the EU, though HMRC has stated they intend to still apply the exemption where it would apply if the UK were in the EU.
Foreign tax credits	In general, the maximum amount of foreign tax that can be credited against UK tax is the amount of UK tax payable on the income that has been subject to that foreign tax. Corporation tax is charged on a company's total taxable profits, which is the sum of each particular element of the profits (e.g. trade profits, profits of a property business, loan relationship credits etc.). Where treasury companies are treated as trading there is a potential restriction on the double tax relief available. The rules in respect of trading profits require companies to 'stream' their trading profits for the purposes of claiming relief for foreign tax by way of credit, restricting credit for foreign tax on trading profits to the 'corporation tax attributable to the income arising out of the transaction, arrangement or asset in connection with which the credit arises' after taking account of relevant expenses and deductions. HMRC tend to prefer taxpayers to undertake a 'mini' trading income computation, 'streaming' by reference to specific loans. Non-trading income is not subject to the above 'streaming' requirements. In an intragroup context it will often be the case that the treasury company should be considered non-trading. In this case, the foreign tax can be set against the UK tax payable on the gross income on which the foreign tax arises.
Treaty overview	128 double tax treaties in force. Please see Appendix 5 for full list and see https://www.gov.uk/government/collections/tax-treaties for a most updated tax treaty list.
Implementation of BEPS/ATAD	In order to ensure conformity with the OECD recommendations on interest deductibility (under the OECD BEPS project), the UK has introduced the abovementioned CIR rules to replace the previous worldwide debt cap regime (for periods of account beginning after 31 March 2017). Amendments were introduced to the patent box regime, to ensure compliance with OECD recommendations (made in October 2015, as part of the OECD BEPS package for reform of the international tax system to tackle tax avoidance). These amendments to the patent box regime apply for new entrants from 1 July 2016. The MLI entered into force in the UK on 1 October 2018. Despite Brexit, the UK will continue to apply provisions of its domestic law transposing the EU ATAD. In particular, changes have been made to the UK CFC rules from 1 January 2019 to ensure compliance with ATAD.

3.2 United States

	United States federal income tax
Headline Corporate Income Tax Rate	21% (Federal corporate income tax rate)
Substance requirements	A company is subject to federal tax in the US if it is created or organised under the law of any State of the US or engaged in a US trade or business.
General taxation of treasury activities (e.g. taxation of interest, service fees, FX)	Resident companies are taxable in the US on their worldwide profits. Deductions may be limited (see below).
Special tax regimes/incentives for treasury/group financing activities	Income generated by services provided to foreign related parties may qualify for a 37.5% deduction if the foreign related party does not provide substantially similar services back to the US company.
Deductibility of interest expense	Interest expense deductions are generally limited to sum of business interest income; 30% of adjusted taxable income ('**ATI**'); and the floor plan financing interest for the taxable year. For tax years starting after 2017 and before 1 January 2022, ATI is broadly equivalent to EBITDA. For tax years starting on or after 1 January 2022, ATI is broadly equivalent to earnings before interest and tax ('**EBIT**'). The term 'interest' for this purpose includes all manner of interest (stated and unstated) and items similar to interest (bond premium amortisation, market discount, etc.) not otherwise treated as interest for US federal income tax purposes, including: • Substitute interest payments; • Debt issuance costs; • Guaranteed payments; • Commitment fees (but only if some amount of financing is actually provided); • Certain amounts with respect to derivatives that affect the taxpayer's effective cost of borrowing (such as gain or loss on an interest rate swap); and • Certain amounts that alter a taxpayer's effective yield with respect to a debt instrument held by the taxpayer. Furthermore, deductible payments (including interest payments) made by US corporations to foreign related persons may cause the US corporations to be subject to Base Erosion Anti-avoidance ('**BEAT**'), which acts as minimum tax. The US anti-hybrid rules deny deduction for interest paid to a related party in connection with a hybrid transaction or a hybrid entity, to the extent that the related party does not have a corresponding inclusion.
Thin capitalisation	Arm's length principles apply. Debt instruments may be recharacterised as equity for US federal income tax purposes depending upon the facts and circumstances.
Transfer pricing	Comprehensive transfer pricing and arm's length rules apply to transactions made between related parties.
Interest withholding tax	Subject to US federal income tax at a rate of 30% (may be exempt or reduced under a treaty).
Foreign tax credits	Foreign tax credits generally provided for foreign taxes withheld.
Treaty overview	63 double tax treaties in force. Please see Appendix 5 for full list.

	United States federal income tax
Implementation of BEPS	The United States is one of the countries that were part of the post-BEPS discussions on the MLI but have not signed the MLI. The United States addresses a number of the issues targeted by the BEPS minimum standards in alternative ways (e.g., legislation, limitation on US tax treaty benefits provisions).

3.3 Ireland

	Ireland
Headline Corporate Income Tax Rate	Trading income of an Irish resident company is subject to taxation at the 12.5% rate, with passive income subject to tax at the higher rate of 25%. Capital gains are taxable at 33%.
Substance requirements	Irish incorporated companies are prima facie deemed Irish tax resident by virtue of their Irish incorporation, subject to the treaty exemption (i.e., where the company becomes resident outside Ireland under the terms of a double tax treaty between Ireland and a different jurisdiction). Non-Irish Incorporated companies are deemed to be Irish tax resident if they are considered to be centrally managed and controlled in Ireland. Central management and control are not defined in Irish legislation and is based on case law.
General taxation of treasury activities (e.g. taxation of interest, service fees, FX)	Resident companies are taxable in Ireland on their worldwide profits.
Special tax regimes/incentives for treasury/group financing activities	Ireland is a popular location for cash pooling and treasury activities, with a large number of multinationals centralising intra-group treasury activities to avail of the low corporation tax rate of 12.5%. To further enhance the attractiveness of Ireland as a treasury location, Irish tax legislation contains specific provisions to facilitate cash-pooling activities and ensure favourable tax treatment of 'short' interest for tax purposes (see below). Under a typical cash-pool arrangement, interest payments by the Irish cash-pool leader typically would constitute 'short' interest for tax purposes because of the overnight/short-term nature of these arrangements.
Deductibility of interest expense	Allowable if incurred wholly and exclusively for the purposes of the trade and is revenue in nature. Interest payments made from an Irish resident company to a 75% related company are deemed to be a non-deductible distribution for Irish tax purposes. However, this does not apply to trading interest payments to treaty countries on election, annual trading interest payments to companies in non-treaty countries (again on election), short trading interest payments to companies in non-treaty countries (provided certain conditions are met), or non-trading interest payments to related companies who are tax resident in certain treaty countries. If the interest payment is deemed to be a non-deductible distribution for Irish tax purposes, dividend withholding tax should be applied at the standard rate of 20% (subject to any exemptions that may be available).
Thin capitalisation	Ireland does not have any thin capitalisation rules (although certain interest paid to a 75% non-resident parent company can be classified as non-deductible distributions).
Transfer pricing	Transfer pricing rules have been in place in Ireland since 2011. The legislation endorses the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and

	adopts the arm's-length principle. The regime applies to domestic as well as international related-party arrangements. The transfer pricing regulations only apply to related-party dealings entered into by a taxpayer engaged in a trade that is within the charge to tax under Case I or Case II of Schedule D (typically income and profits subject to tax at the 12.5% standard rate). Therefore, income that is characterised as 'passive income' subject to tax at a rate of 25% falls outside the scope of the transfer pricing legislation. Passive income for the purposes of these rules may include interest, where the income arising is not derived from an active trade. For example, interest income arising to a bank will clearly constitute income from an active trade. Consequently, any interest arising to a bank from a related-party arrangement will fall within the scope of the transfer pricing rules. Ireland has a bilateral Advance Pricing Agreement ('APA') program that applies to transfer pricing issues (such as interest imputation and the taxation of finance and treasury companies). APAs will be granted for a fixed period of time, typically between three and five years, and a roll-back provision can be invoked in certain cases. Please note, Ireland's Department of Finance is currently engaging in a public consultation process regarding Ireland's transfer pricing policy and therefore an update to the rules is expected in future finance bills.
Interest withholding tax	Irish interest withholding tax, prima facie, applies to interest payments made by Irish tax resident companies at the rate of 20%. There are however various domestic exemptions available, including: • Interest paid to a company resident in an EU or treaty country (e.g., the U.S.), which imposes a tax that generally applies to interest receivable in that country by companies from sources outside that country and is paid in the ordinary course of a trade by the paying company (there are no specific documentation requirements to follow in Ireland in order to claim this domestic exemption with respect to interest income); • Interest paid to a company resident in an EU country, provided there is a direct 25% relationship between both companies; and • Interest paid by an Irish bank during the course of its banking business.
Foreign tax credits	Foreign taxes borne by an Irish resident company, whether imposed directly or by way of withholding, may be creditable in Ireland. A similar pooling system applies to some related-party interest and excess credits in the pool can be carried forward indefinitely.
Treaty overview	73 double tax treaties in force. Please see Appendix 5 for full list and see https://www.revenue.ie/en/tax-professionals/tax-agreements/double-taxation-treaties/index.aspx for a most updated tax treaty list.

	Ireland
Implementation of BEPS/ATAD	Ireland has introduced a number of changes recently into Irish law, and others are expected in response to ATAD/BEPS projects: Effective from October 10, 2018, an exit tax was introduced. Migration of tax residence from Ireland gives rise to a deemed disposal for Irish tax purposes. To the extent the deemed disposal crystallises any gain that may be latent in the chargeable assets held, such gain is taxable. Effective 1 Jan 2019, Ireland introduced CFC rules, to tax the undistributed profits of CFCs arising from non-genuine arrangements with the essential purpose of obtaining an Irish tax advantage. Such profits must arise from 'relevant Irish activities', broadly Significant People Functions ('**SPFs**') carried on in Ireland without which the CFC would not own its assets or have borne its risks. Ireland has ratified the MLI in response to Action 15. The MLI will enter into force in Ireland on 1 May 2019. As noted above, Ireland's Department of Finance are engaged in a public consultation process regarding transfer pricing, they are also engaged in public consultations with regard to interest limitations and anti-hybrids, and the proposed territorial regime. We expect changes to be introduced into Irish law following these consultation processes from 2020 onwards.

3.4 Netherlands

	Netherlands
Headline Corporate Income Tax Rate	The Dutch CIT act contains two tax rates. A lower rate of 19% (2019 rate) applies to the first income bracket, which consists of taxable income up to EUR 200,000. The standard rate of 25% applies to the excess of taxable income. It is envisaged by the current Dutch coalition to gradually reduce the CIT rates in subsequent years. The standard rate will be reduced in annual steps from 25% to 22.55% in 2020 and to 20.5% in 2021. The lower rate will further decrease from 19% in 2019, to 16.5% in 2020, and to 15% in 2021.
Substance requirements	An entity is generally considered a Dutch tax resident for Dutch CIT purposes if its effective place of management is in the Netherlands. Furthermore, companies incorporated under Dutch law are also deemed to be residents of the Netherlands. However, this may be overruled in an international context based on applicable double tax treaties. Furthermore, specific substance requirements are applicable with respect to so called Financial Service Companies ('**FSC**') or in Dutch: ('Dienstverleningslichaam'). FSCs are defined as entities whose activities mainly consist of receiving and paying interest, royalties, rent or lease, from and to affiliated foreign companies. Entities in scope of these rules should indicate in their Dutch CIT return whether they are eligible to apply tax treaty benefits or benefits under an EU directive. Furthermore, they should indicate whether the substance requirements are met. If an FSC is eligible to apply such benefits while the substance requirements are not met, the Dutch tax authorities may spontaneously exchange information with relevant foreign tax authorities. The substance requirements are based on article 3a of the Dutch Implementing order international assistance in the levying of taxes (in Dutch 'Uitvoeringsbesluit internationale bijstandsverlening bij de heffing van belastingen') and are as follows: • At least 50% of the board members with decision taking powers are residents of the Netherlands; • The board members residing in the Netherlands are sufficiently qualified to perform their tasks. Their tasks at least include (i) decision-making on the transactions, and (ii) the proper completion of the transactions the entity will perform; • The entity has qualified staff at its disposal in the Netherlands, attending to an adequate processing and registration of transactions;

	Netherlands
	• All board decisions are made in the Netherlands through board meetings that are physically held in the Netherlands; • The most important bank accounts of the entity are in the name and for the account of the entity; • The administration and bookkeeping of the entity physically take place in the Netherlands; • The entity is a resident of the Netherlands and should not be considered a tax resident of any other state; • The entity has its registered address and office in the Netherlands and is registered with the local Chamber of Commerce; and • The entity incurs sufficient risk with respect to its activities and the amount of equity fits the actual risk. Furthermore, the Dutch MOF has announced to update the Dutch ruling policy as from July 2019. One of the items will be that rulings with an international character will only be available to taxpayers with sufficient 'economic nexus' in the Netherlands. This means that the level of relevant operational (group) business activities in the Netherlands will have to match with the position and function of the relevant Dutch entity (or entities). According to the State Secretary, the 'economic nexus' threshold is substantially higher than the current 'substance' requirements for accessing the ruling practice. Only taxpayers with such sufficient economic nexus are eligible to apply for a ruling and obtain upfront legal certainty on their Dutch tax position.
General taxation of treasury activities (e.g. taxation of interest, service fees, FX)	Resident companies are taxable in Netherlands on their worldwide profits, subject to any exemptions. Loss compensation – Tax losses can be carried back one year and carried forward six years (whereas tax losses up to and including 2018 can be carried forward nine years) Functional currency – A Dutch taxpayer may upon request and under certain conditions determine its taxable income in a currency other than euro. The request should be filed during the first book year of incorporation or prior to the start of a new book year in later years. Tax payments must always be made in euro. Fiscal Unity – A Dutch resident parent company and its Dutch resident subsidiaries may, under conditions, opt to be treated as one taxable entity for the Dutch CIT by forming a 'fiscal unity'. The advantages of the fiscal unity include (i) filing a single CIT return, (ii) offsetting of losses during the existence of the fiscal unity and (iii) elimination of certain intercompany transactions.
Special tax regimes/incentives for treasury/group financing activities	There are no special tax regimes/incentives for treasury/group financing activities.
Deductibility of interest expense	As a general rule, interest expenses are deductible, provided that the loan also qualifies as debt (and not as equity) for tax purposes. Furthermore, the interest payment should be at arm's length. However, the Dutch CIT act contains various interest deductibility restrictions. Without providing a full overview of all the interest deductibility rules, we have hereafter summarised the main restrictions that may be relevant. 1 Interest paid on certain profit participating loans will be qualified as a dividend and will not be tax deductible. 2 If a group loan relates to certain other group transactions (dividends, capital contributions), the interest will be deductible only if the loan and the underlying transaction are based predominantly on sound business considerations or if the interest received is effectively and sufficiently taxed by Dutch standards (in which case the burden of proof is shifted to the tax inspector). 3 As a result of the ATAD I implementation in Dutch law, an earning stripping rule is introduced. The earning stripping rule is a general limitation of the deduction of the balance of interest paid and interest received, whereby (in short) the deduction will be limited to 30% of the fiscal EBITDA or (if lower) EUR 1 million.
Thin capitalisation	There are currently no thin capitalisation rules in the Netherlands. However, as from 1 January 2019 an earning stripping rule has been introduced (as explained above).

	Netherlands
	The Dutch MOF published a consultation document on the proposed minimum capital rules for banks and insurance companies. In line with the announcement in the coalition agreement of the Dutch government, the proposed legislation in the consultation document provides for an interest deduction limitation in case the leverage ratio (banks) or solvency II equity ratio (insurance companies) is less than 8%. The proposed legislation is expected to be effective as per 1 January 2020.
Transfer pricing	Based on a general transfer pricing provision in the Dutch CIT act, all transactions between related parties must be at arm's length. Furthermore, a specific transfer pricing provision exists with respect to the transactions of an interest and royalty conduit company (also referred to FSCs. Dutch companies are obligated to produce transfer pricing documentation describing the calculation of the transfer price and the comparability of the transfer price with third party prices. If a transaction between related parties is not at arm's length, the taxable income may be corrected by the tax authorities. Moreover, transactions that do not meet the arm's-length test may constitute a contribution of informal capital or a hidden profit distribution. Based on the above, the at arm's length character (pricing and terms) should be sufficiently documented (including – under conditions – the requirement of having a CbC reporting master file and local file). Furthermore, we note that the Dutch Tax Authorities tend to consider short-term receivables that are outstanding for a longer period of time, as long-term loans. This may also impact the at arm's length remuneration. It is important that the underlying legal documentation is in line with the transfer pricing documentation.
Interest withholding tax	The Netherlands does not levy withholding tax on interest payments (except for certain interest payments on loans that are requalified as equity for Dutch tax purposes). The Dutch government has announced that as per 2021 it will introduce a conditional withholding tax for payments included on the Dutch list of blacklisted jurisdictions. However, no further details have been announced.
Foreign tax credits	Double taxation of foreign interest is relieved by a tax credit provided by Dutch tax treaties or (under conditions) unilaterally. If no treaty or unilateral relief applies, a deduction of the foreign tax paid is allowed in computing the net taxable income. In case a Dutch company or a PE is engaged in low-taxed portfolio activities, a credit may be granted for foreign tax paid on these activities.
Treaty overview	94 double tax treaties in force. Please see Appendix 5 for full list and refer to the list published and kept up to date by the Dutch tax authorities: https://www.belastingdienst.nl/wps/wcm/connect/bldcontenten/belastingdienst/individuals/tax_arrangements/tax_treaties/overview_of_treaty_countries/
BEPS/ATAD I and ATAD II	**BEPS** As a member of the OECD, the Netherlands is an active participant in the BEPS project. The Netherlands supports the goals as set by the OECD in this respect and adheres to the outcomes of the BEPS project. An example of the Dutch support of this project is the renewed innovation box in Dutch tax legislation as per 1 January2017. The Netherlands also adheres to the international developments on transparency in tax matters, including those involving the outcomes of the BEPS project on the exchange of information in tax matters. The Netherlands has signed the MLI, albeit with some reservations to certain provisions, and has brought all of the Netherlands' tax treaties within the scope of the MLI except for the few tax treaties that were being negotiated or not yet in force at the time of the MLI signature. **ATAD I and ATAD II** The EU adopted the Anti-Tax Avoidance Directive ('**ATAD I**'), which contains several measures to combat tax avoidance. The ATAD I includes measures regarding the limitation of interest deductibility, exit taxation, a general anti-abuse rule, a CFC rule and rules addressing mismatches between EU member states arising from the use of hybrid instruments or entities. These rules must be transposed into all EU member states laws and apply as from 1 January 2019. An exception applies to the rule for exit taxation which should apply as from 1 January 2020 at the latest. The Netherlands, as an EU member state, must also implement this legislation.

	Netherlands
BEPS/ATAD I and ATAD II (cont'd)	To implement ATAD I, the Netherlands, as per 1 January 2019, includes a CFC-rule, an earnings stripping rule and slightly reformed exit taxation rules for CIT (CIT) purposes. The CFC-regime targets corporate taxpayers that hold a direct or indirect interest, either standalone or with affiliated companies, of more than 50 per cent in a subsidiary or disposes of a permanent establishment in either a low-taxed, i.e. less than 9 per cent, or a non-cooperative jurisdiction that is explicitly listed by the Dutch MOF. The ATAD's GAAR is not implemented as such, since, according to the MOF, the GAAR is already effectively present by means of the standing Dutch fraus legis doctrine. The exit taxation regime for CIT purposes is slightly altered, by providing that an exit levy must be paid in full within the 5 years following the exit but no later than the moment of realisation, e.g. the sale of the asset(s). As an expansion to the legislation included in the ATAD I, the European Commission proposed rules addressing mismatches between EU member states and third countries in the proposal for an EU tax reform (ATAD II). Recently, the MOF has started an online public consultation with respect to the manner of implementation of ATAD II. However, the exact way in which the Netherlands will implement ATAD II, is not yet fully clear.

3.5 Switzerland

	Switzerland
Headline Corporate Income Tax Rate	As a general rule, the overall approximate range of the maximum CIT for federal, cantonal, and communal taxes is between 11.5% and 24.2%, depending on the company's location of corporate residence in Switzerland. Reduced CIT rates apply to companies subject to a special cantonal tax regime. With the corporate tax reform expected to become effective as of 1 January 2020, the existing special cantonal tax regimes will be abolished and replaced by new cantonal regimes and some temporary limited transitional rules. The CIT rate as from 1 January 2020 is expected to be in the range of 12% to 18%.
Substance requirements	A company is considered resident in Switzerland if its domicile is in Switzerland. Residency is also linked to the place of effective management, which is defined as the centre from which day-to-day activities are directed or the place from which managerial decisions are taken. As per domestic rules and as per most double tax treaties, place of effective management shall prevail.
General taxation of treasury activities (e.g. taxation of interest, service fees, FX)	Swiss tax resident corporations are basically taxed on their worldwide income. **Interest income** Interest income earned is taxable income. It is of no relevance whether the payment of the interest was made by a related party (affiliated company or shareholder) or by a third party. **FX gains** Realised FX gains or losses in relation to a transaction (transaction gains/losses) are included in the tax basis of a corporation as taxable/tax deductible. As a result of the prudence principle of the Swiss accounting rules, unrealised transactional FX losses are tax deductible. Unrealised transactional FX gains are tax neutral. Based on a federal court decision in 2009, foreign gains (or losses) resulting from the translation of financial statements in a foreign (functional) currency to Swiss franc (presentation currency) are not taxable.
Special tax regimes/incentives for treasury/group financing activities	There are no special tax regimes/incentives for treasury/group financing activities.
Deductibility of interest expense	Generally allowable.

	Switzerland
	Interest paid by a corporation to a third party is a deductible business expense. Interest paid to related parties (affiliated company or shareholder) has to reflect the fair market rate and is subject to limitations (see thin capitalisation section below). With respect to related parties, the Swiss Federal Tax Administration annually issues safe harbour interest rates to be used on loans denominated in Swiss franc on the one hand and in foreign currencies on the other hand. The corporation may deviate from these safe harbour rates as long as it can prove with hard facts that the rates used are at arm's length and more appropriate in the present case. Also, the cantons follow these federal guidelines.
Thin capitalisation	Swiss thin capitalisation rules have, in general, only to be considered for related party debt. In case of a thin capitalisation, the related party debt is treated as taxable equity. The respective circular letter issued by the Swiss Federal Tax Administration provides for debt-to-equity ratios as safe harbour rules. The thin capitalisation rules require that each asset class has to be underpinned by a certain equity portion. The calculation is based on fair market values, but often lower book values suffice to comply with the rules. However, for finance companies the safe harbour is considered fixed at 6:1. Moreover, the allowable interest deductibility on related party debt can be determined by multiplying the allowable debt by the safe harbour interest rates annually published by the Federal tax administration (see above). To the extent interest payments to related parties exceed the amount which can be paid based on the allowable debt, such excess interest, if not proven to be at arm's length, is added back to the taxable income. Further, such interest is considered to be a hidden dividend distribution subject to withholding tax.
Transfer pricing	So far, Switzerland has not introduced specific transfer pricing regulations. There is, however, an increasing awareness of transfer pricing matters that taxpayers may transfer profits without sufficient economic justification, either to countries with strict transfer pricing rules and documentation requirements in order to avoid challenges by the respective local tax authorities, or to offshore locations. In this context, Swiss tax authorities take an increasing interest in a company's transfer pricing position in order to defend their own position. Some cantonal, as well as the federal, tax authorities have started to particularly focus on low risk/low profit entities located in Switzerland. Switzerland in general follows the OECD Guidelines and recognises the arm's-length principle based on interpretation of actual legislation. To clarify transfer pricing issues, Switzerland offers an informal procedure for agreeing to pricing policies in advance. In an international context, such agreements are subject to the spontaneous exchange of information.
Interest withholding tax	As a general rule, no withholding tax is levied on interest deriving from regular loan agreements or interest paid by a Swiss borrower to its lenders. However, certain debt instruments may qualify as a bond for tax purposes, in which case, a 35% interest withholding tax (subject to reduction under a treaty) would apply to all interest payments. For intercompany cash pooling activities, there is a withholding tax exemption available.
Foreign tax credits	Swiss tax resident companies may suffer foreign non-recoverable withholding tax on interest income derived from foreign sources. As such foreign-source income is generally subject to CIT in Switzerland, a double taxation occurs. In case a double tax treaty exists and in order to reduce or to eliminate double taxation, Switzerland usually applies the credit method. Specific conditions and formalities will need to be met to benefit from foreign tax credits.
Treaty overview	93 double tax treaties in force. Please see Appendix 5 for full list of jurisdictions that have an income tax treaty with Switzerland.
Implementation of BEPS/ATAD	Since Switzerland is not part of the EU, ATAD is not to be implemented in Switzerland. In terms of BEPS, the most relevant impact would be the planned abolishment of harmful tax regimes (holding company regime, mixed company regime, domiciliary company regime, principal company regime, Swiss finance branch regime) from 1 January 2020. With the planned corporate tax reform to be enacted on 1 January 2020, new instruments (e.g. patent box, R&D super deduction) and certain timely limited transitional rules to compensate for the loss of the

	Switzerland
	harmful tax regimes are expected to be implemented. However, the corporate tax reform is subject to a public vote on 19 May 2019.

3.6 Hong Kong

	Hong Kong
Headline corporate income tax rate	16.5%. Starting from Year of Assessment ('**YA**') 2018/19, the two-tiered tax rate applies – upon election, one entity within a corporate group can enjoy the two-tiered Hong Kong Profits Tax ('**HKPT**') regime where the first HK$2 million of assessable profits will be taxed at 8.25%.
Substance requirements	Hong Kong operates a territorial tax system; this means the concept of tax 'residency' is more relevant to application of double tax treaties than to domestic charging provisions. Under Hong Kong domestic law an entity would be subject to HKPT if it carries on business in Hong Kong and the profits derived from such business are Hong Kong sourced and of a revenue nature. The concepts of sourcing and revenue vs capital in Hong Kong can be complex and depend on the situation and type of income. Under many (but not all) double tax treaties concluded with Hong Kong, a company is tax resident in Hong Kong if it is either: • Incorporated in Hong Kong; or • Managed and controlled in Hong Kong; and • Not otherwise regarded as resident outside of Hong Kong for purposes of the relevant double tax treaties (e.g. under tie breaker provisions). For the purposes of demonstrating residency in Hong Kong (e.g. to obtain a tax residency certificate) real substance would need to be present and adequately documented in Hong Kong to satisfy the authorities. Factors which may be considered include, but are not limited to, the following: 1 Physical office supported with a lease in Hong Kong; 2 Majority of the board of directors should be HK tax residents; 3 All or most of the board meetings should be held in Hong Kong; 4 The Hong Kong company should have its own employees; 5 The Hong Kong company derives active business income, incurs operating expenses, and is subject to HK tax; and 6 Active bank account with company documentation and accounting records. Where a company is not seen as tax resident in Hong Kong under the relevant double tax treaty, it may still be taxable in Hong Kong e.g. in the event of a Permanent Establishment in Hong Kong.

	Hong Kong
General taxation of treasury activities (e.g. taxation of interest, service fees, FX)	Interest and service fees would be subject to HKPT at 16.5% if they are earned by a business being carried on in Hong Kong and are Hong Kong sourced. As mentioned, sourcing is a complex area and a general overview only is provided here. Where there is no money lending business, interest may potentially be sourced depending on the location that the cash loan was first made available to (i.e. a bank account of a Hong Kong or non-Hong Kong borrower). However, where there is deemed to be a business of money lending, the source would be determined in light of the location of the money lending activities undertaken. Service fees would be seen as Hong Kong sourced if the service activity takes place in Hong Kong. Whether an FX gain or loss would be subject to tax depends on the nature of the FX gain or loss. In respect of both realised and unrealised profit or loss, the FX movement should follow the source of the underlying item of profit or loss. Where gains or losses are made in speculative currency transaction, such activity should be subject to HKPT if the trading activity is undertaken from HK. As introduced in 2016, the Inland Revenue (Amendment) (No. 2) Ordinance 2016 implemented legislative changes for (1) concessionary profits tax rate of 8.25% for qualifying corporate treasury activities (i.e. the Corporate Treasury Centre regime) and (2) interest paid to overseas lenders will be deductible if certain conditions are met.
Special tax regimes/incentives for treasury/group financing activities	**Corporate Treasury Centre ('CTC') regime** Tax benefits to qualifying CTCs Under the CTC rules, assessable profits of a "qualifying CTC" (defined below) derived from "qualifying corporate treasury activities" is subject to a concessionary tax rate of 8.25%. Qualifying activities are: • Carrying out qualifying lending activities with associated corporations. • Provide qualifying corporate treasury services to associated corporations. • Enter into qualifying corporate treasury transactions in respect of associated corporations. • Non-qualifying profits are subject to the standard rate of HKPT at 16.5%. The terms used above are defined below. All qualifying corporate treasury activities should be carried out by the qualifying CTC in Hong Kong or arranged to be carried in Hong Kong by the qualifying CTC. Criteria for qualifying CTCs Qualifying CTCs are: • 'Standalone' CTC: Performs only corporate treasury activities, whether qualifying or non-qualifying, and/or non-corporate treasury activities that are non-income generating. • 'Multifunction' CTC: Performs corporate treasury activities and non-corporate treasury activities and maintains a certain level of corporate treasury profits and corporate treasury assets under the safe harbour rules. • CTC by determination: A CTC that does not meet the criteria of a standalone or multifunction CTC, but subject to the review and determination of the Commissioner of Inland Revenue. The qualifying CTC has to be centrally managed and controlled in Hong Kong. The qualifying CTC is not a 'financial institution' under HK tax law. The qualifying CTC has to make an election to the Inland Revenue Department of Hong Kong ('**IRD**'), which, once made, is irrevocable. The CTC rules are not subject to a sunset date.

	Hong Kong
Special tax regimes/incentives for treasury/group financing activities (cont'd)	Where the conditions are failed for a particular YA (cessation year), the company is also not permitted to re-enter the reduced tax rate regime for the subsequent YA following the cessation year. This is to discourage companies opting in for the reduced tax rate when they derive qualifying profits and opting out when suffer losses, in order to obtain deduction of losses at the full tax rate. Losses from qualifying CTC operations should only accrue at the reduced tax rate. An associated corporation, in relation to a corporation, means • Another corporation over which the corporation has control • Another corporation that has control over the corporation • Another corporation that is under the control of the same person as the corporation. Qualifying lending transactions are: • Lending of money to an associated corporation in the ordinary course of the qualifying CTC's intra-group financing business. Qualifying corporate treasury services are: • Managing cash and liquidity position • Processing payments to vendors/suppliers • Managing relationships with financial institutions • Advise on management of the investment of funds • Managing investor relations • Providing letters of guarantees, performance bonds, standby letters of credit, etc. • Providing advice or service on financial (liquidity, interest rate, forex) risk management • Assisting in merger and acquisitions • Providing compliance-related services or advice on accounting, regulatory requirements, etc. Qualifying corporate treasury transactions are: • Transaction on guarantees, performance bonds, standby letters of credit, etc. in respect of the borrowing of money by the associated corporation • Transaction investing the funds of the associated corporation in various financial instruments (excluding securities issued by certain private companies) to manage the cash and liquidity position of the associated corporations or itself • Transaction in respect of hedging financial risks • Factoring or forfaiting transactions Reporting requirements As a Hong Kong registered business, the qualifying CTC is obliged to file a HKPT return and audited financial statements to the IRD. No specific filing guidelines have been issued for qualifying CTCs yet.

	Hong Kong
Deductibility of interest expense	Deductible only where the borrowing is for the purpose of producing profits chargeable to HKPT, as well as other conditions. Such other conditions include meeting various tests and are subject to anti-avoidance rules. Such conditions may potentially be satisfied under the following, non-exhaustive, situations: • The lender is a bank; • The lender is subject to HKPT on the interest income; • The lender is a third party and the money is borrowed wholly and exclusively to finance qualifying capital expenditure; • The interest is payable on listed/marketed debentures or other qualifying instruments; • The borrower carries on in Hong Kong an inter-group financing business (which may include but is not limited to a qualifying CTC in Hong Kong) and the recipient is subject to tax in a territory outside of Hong Kong at a rate that is not lower than the relevant Hong Kong reference rate (e.g. 8.25% or 16.5%)[24] and is not part of a wider conduit arrangement.
Thin capitalisation	No specific rules, subject to the comments below on transfer pricing.
Transfer pricing	The newly introduced Hong Kong transfer pricing rules are covered under the Inland Revenue (Amendment) (No. 6) Ordinance 2018 ('Ordinance'), which was enacted on 13 July 2018. The transfer pricing rules introduce the arm's length principle into the Ordinance and empowers the IRD to impose transfer pricing adjustments on either income or expense arising from non-arm's length transactions between associated persons that lead to a potential Hong Kong tax advantage ('transfer pricing Rule 1'). Certain domestic transactions that do not give rise to any actual Hong Kong tax discrepancy are specifically exempted if certain conditions are met. This rule applies retrospectively to YA beginning on or after 1 April 2018. The transfer pricing rules require use of the separate enterprises principle for attribution of profits to a permanent establishment (**PE**) of non-Hong Kong resident in Hong Kong ('transfer pricing Rule 2'). The Authorised OECD Approach (AOA) will be implemented for PE profit attribution. This rule applies to YAs beginning on or after 1 April 2019. The transfer pricing rules also introduce an annual mandatory three-tier transfer pricing documentation ('**TPD**') regime. The three-tiers comprise OECD based group level master file, Hong Kong entity level local file and CbC reporting documentation for companies which exceed stipulated exemptions based on business size and related party transaction amount thresholds. The rules provide for penalties for non-compliance with the TPD requirements.
Interest withholding tax	0%. There is no interest withholding tax in Hong Kong.
Foreign tax credits	Yes (only for treaty countries)
Treaty overview	40 double tax treaties in force. Please see https://www.ird.gov.hk/eng/tax/dta_inc.htm for a most updated list of tax treaties.
Implementation of BEPS	The Inland Revenue (Amendment) (No. 6) Ordinance 2018 enacted on 13 July 2018 introduces a transfer pricing regulatory regime and an annual three-tiered documentation regime (based on BEPS Action plan 13) in Hong Kong (see transfer pricing section above for further details). The ordinance also implements certain other minimum standards under the BEPS package.

3.7 Singapore

[24] In order to prevent abuse, the determination of whether the recipient territory is subject to tax includes a number of anti-avoidance provisions. Including that the recipient is not in an overall loss-making provision e.g. the arrangements can't be structured to access otherwise trapped losses in the group.

	Singapore
Headline Corporate Income Tax Rate	The current prevailing corporate income tax rate is 17%. **Partial tax exemption** Partial tax exemption is given to all companies on normal chargeable income (that is subject to tax at the prevailing tax rate of 17%) of up to S$300,000 for YA 2019 as follows: • 75% tax exemption on the first S$10,000 of chargeable income; and • a further 50% tax exemption on the next S$290,000 of chargeable income. From YA 2020 (for financial year ending 2019) onwards, partial tax exemption will be available on up to S$200,000 of chargeable income as follows: • 75% tax exemption on the first S$10,000 of chargeable income; and • a further 50% exemption on the next S$190,000 of chargeable income. **CIT Rebate** A 20% CIT rebate capped at S$10,000 for YA 2019 will be granted to companies. There is no tax rebate for YA 2020.
Substance requirements	For Singapore tax purposes, a company's tax residency is determined by where the control and management of the company's business is exercised. The term 'control and management' of a company's business is not defined in the Singapore Income Tax Act. The Singapore tax authorities have applied case law principles in determining if a company is a resident in Singapore if its Board of Directors meetings are held in Singapore and strategic, policy-level decisions are made in such board meetings. For the purposes of demonstrating residency in Singapore (e.g. to obtain a tax residency certificate) generally, in addition to being managed and controlled in Singapore, a company must maintain adequate substance in-country such as group operations, minimum level of operating expenses, fund management and administration, presence of C-suite or senior executives in Singapore etc. .
General taxation of treasury activities (e.g. taxation of interest, service fees, FX)	Singapore operates on a quasi-territorial basis of taxation, i.e. Singapore sourced income is taxed on an accrual basis and foreign sourced income is taxed upon receipt or when deemed received in Singapore. Qualifying income derived by a Finance and Treasury Centre ('**FTC**') is taxed at a reduced concessionary tax rate of 8% (see below). The treasury vehicle must perform substantive treasury and treasury related activities in Singapore and perform strategic functions. Key activities and functions include control over the management of cash and liquidity position, provision of corporate finance and advisory services, economic and investment research and analysis, and credit control and administration.

	Singapore
Special tax regimes/incentives for treasury/group financing activities	**Finance and Treasury Centre ("FTC") regime** Tax benefits of an FTC Under the FTC incentive regime, the income of a company derived from the following is subject to a concessionary tax rate of 8% (for application or renewal approved on or after 25 March 2016): a Qualifying activities carried out by the FTC on its own account as may be prescribed; or b Qualifying services as may be provided by the FTC to: - its offices and associated companies outside Singapore; or - such of its offices and associated companies in Singapore. The approved FTC may also enjoy exemption from Singapore withholding tax on interest payments made to banks and approved network companies outside Singapore, provided the funds borrowed are qualifying sources and used for the conduct of qualifying FTC activities. The terms used above are defined below. The FTC incentive has a sunset date of 31 March 2021, i.e. all applications and approvals for the FTC incentive have to be made and obtained before 31 March 2021. The incentive may be extended or another relevant incentive for FTC activities may be considered after 31 March 2021. The FTC incentive is administered by the Economic Development Board ('**EDB**') and will be granted by the EDB on a case-by-case basis. The tenure of the incentive and renewal is generally in a block of 5 years.

	Singapore
Special tax regimes/incentives for treasury/group financing activities (cont'd)	Qualifying activities Income Tax (Concessionary Rate of Tax for Approved Finance and Treasury Centre) Regulations 2017 provide that 'qualifying activities' means the following activities carried out by an approved FTC on its own account: a Transacting or investing in stocks and shares of any company; b Transacting or investing in certificates of deposit, notes, bonds, treasury bills, commercial papers, AT1 instruments and collective investment schemes (excluding any collective investment scheme constituted as a unit trust) issued or operated by the Government or by any foreign government, bank licensed under the Banking Act ('**BA**'), merchant bank approved under section 28 of the Monetary Authority of Singapore Act, a bank outside Singapore or company; c Investing in deposits held in Singapore with any financial institution in Singapore, or deposits held outside Singapore with any financial institution outside Singapore; d FX transactions; e Factoring, forfaiting and reinvoicing activities for its approved offices and associated companies; f Providing credit facilities to its approved offices and associated companies; g Transactions involving derivatives (including transactions involving interest rate or currency swaps and transactions in financial futures contracts or options) entered into with: - Any bank outside Singapore; - Any bank licensed under the BA or merchant bank approved under section 28 of the Monetary Authority of Singapore Act; - Its approved offices and associated companies; or - A member of any exchange specified in the Schedule. h Transacting or investing in units in any unit trust, where the manager of the unit trust engages wholly in one or more of the activities set out in paragraph (a), (b), (c), (d) or (g). where the funds used by the approved FTC for carrying out the activities are obtained from: - Financial institutions in Singapore; - Its paid-up capital; - Its accumulated profits derived from qualifying activities and qualifying services approved under Section 43G(2) of the Singapore Income Tax Act; - Its approved offices and associated companies, but excluding such funds borrowed or raised by the approved offices or associated companies, as the case may be, from sources other than:

Special tax regimes/incentives for treasury/group financing activities (cont'd)

i. Financial institutions in Singapore;

ii. Banks outside Singapore;

iii. Non-bank financial institutions outside Singapore which are not offices or associated companies of the approved FTC; or

iv. The issuance of any bond, note, debenture or other debt security which is not beneficially held or funded, directly or indirectly, at any time during the life of the issue by any office or associated company of the approved FTC which is not an approved office or associated company of the approved FTC

- The issuance of any bond, note, debenture or other debt security which is not beneficially held or funded, directly or indirectly, at any time during the life of the issue by any office or associated company of the approved FTC which is not an approved office or associated company of the approved FTC;
- Banks outside Singapore; or
- Non-bank financial institutions outside Singapore which are not its offices or associated companies.

Qualifying services

Income Tax (Concessionary Rate of Tax for Approved Finance and Treasury Centre) Regulations 2017 provide that 'qualifying services' means the following services provided in Singapore by an approved FTC to its approved offices and associated companies:

a Arranging credit facilities where the funds for providing the facilities are obtained from
   - Financial institutions in Singapore; and
   - The accumulated profits of its other approved offices and associated companies

b Providing corporate finance advisory services

c Providing guarantees, performance bonds, standby letters of credit and services relating to remittances where the party in whose favour the guarantee, performance bond or standby letter of credit is issued, or to whom the remittance are made is:-
   - A bank licensed under the BA;
   - A merchant bank approved under Section 28 of the Monetary Authority of Singapore Act ('**MASA**'); or
   - A bank outside Singapore.

d Managing the funds of any of its approved offices or associated companies;

e Performing economic or investment research and analysis;

f Providing credit administration and control;

g Providing general management and administration;

h Providing business planning and co-ordination; and

i Arranging derivatives (including arranging interest rate and currency swaps) with:
   - A bank licensed under the BA;
   - A merchant bank approved under Section 28 of MASA; or
   - A bank outside Singapore.

Criteria to qualify as an FTC

To be considered for the incentive, applicants will be assessed on the quantitative and qualitative aspects, including:

- Employment created (including skills, expertise and seniority in the FTC team) – typically expects to have 10 treasury professionals (refers to senior professional or management staff based in Singapore, and is substantially engaged in the FTC qualifying activities and services)
- Total business expenditure – Expects $3.5 million excluding interest expense
- Scale of the FTC operations (in depth and breadth)

The above conditions are subject to negotiation with EDB on a case by case basis.

'Associated company', in relation to a company with an approved FTC, means a company:

a The operations of which are or can be controlled, directly or indirectly, by the company with the approved FTC

b Which controls or can control, directly or indirectly, the operations of the company with the approved FTC; or

c The operations of which are or can be controlled, directly or indirectly, by a person or persons who control or can control, directly or indirectly, the operations of the company with the approved FTC

A company shall be deemed to be an associated company in relation to a company with an approved FTC if:

a At least 25% of the total number of its issued shares are beneficially owned, directly or indirectly, by the company with the approved FTC; or

b At least 25% of the total number of issued shares of the company with the approved FTC are beneficially owned, directly or indirectly, by the first-mentioned company.

For Singapore-based associated companies to qualify as approved network companies of the FTC (hereinafter known as Local Network Companies or 'LNC'), the total annual revenue of these LNCs should not exceed 10% of the Group's annual total revenue globally (hereinafter known as 'revenue ratio') that is presented in the consolidated financial statement of the ultimate parent company. Related party transactions should be excluded from the revenue ratio.

Once the LNC is approved, it would be an approved network company of the FTC for the duration of the FTC's award.

The EDB would determine the revenue ratio at the time of application and review the revenue ratio at a mid-term review. This mid-term review is the halfway year between the year the LNCs were approved and the expiry year of the FTC award. An approved LNC that does not meet the condition at the mid-point review will cease to be an approved network company of the FTC from that date. However, there will be no mid-term review for cases which have fewer than four years to the expiry of the FTC award.

	Singapore
Special tax regimes/incentives for treasury/group financing activities (cont'd)	Reporting requirements The FTC is required to submit a copy of its audited financial statements to the EDB and provide progress report on its FTC activities. It is also required to seek approval from the EDB if it intends to expand its scope or provide additional services to more related companies. As part of the FTCs filing of the annual progress report to EDB, the FTC would be required to submit annual revenue figures of the approved LNCs and the consolidated financial statements of the ultimate parent company of the Group.
Deductibility of interest expense	Allowable to the extent that the funds are used to finance income producing assets/activities.
Thin capitalisation	There are no formal thin capitalisation rules in Singapore. However, general anti-avoidance and transfer pricing provisions may operate in cases of tax abuse.
Transfer pricing	The Income Tax Act contains specific transfer pricing provisions that define the arm's-length principle and provide the tax authorities with a right to make transfer pricing adjustments in cases where taxpayers do not comply with the arm's-length principle. From YA 2019, these transfer pricing provisions were enhanced to introduce mandatory contemporaneous documentation requirements, penalties for non-compliance, and a surcharge to be imposed at 5% of the transfer pricing adjustment value. In general, businesses with turnover exceeding SGD 10 million are required to maintain contemporaneous transfer pricing documentation, subject to certain exemptions as defined. Failure to comply with these requirements (including contemporaneous transfer pricing documentation) could result in a penalty not exceeding SGD 10,000. The tax authorities are also empowered to re-characterise transactions in certain cases where the substance of it is inconsistent with the form. The tax authorities have issued revised transfer pricing guidelines to supplement the provisions in the Income Tax Act. Guidance is also provided on matters relating to Mutual Agreement Procedures ('**MAP**') and APA.
Interest withholding tax	In general, Singapore-sourced interest payments to a non-Singapore tax resident which does not carry on a trade or business in Singapore is subject to a 15% withholding tax under domestic law, unless the interest is exempt under the specific provisions of the legislation. However, in the case of a company that enjoys an FTC incentive, interest payments to overseas banks and approved network companies are exempt from withholding where the funds borrowed are used for approved treasury activities.
Foreign tax credits	Where income is earned from treaty countries, double taxation is avoided by means of foreign tax credit granted under those treaties. For non-treaty countries, a unilateral tax credit is given in respect of foreign tax on all foreign-sourced income derived by a Singapore tax resident company. These foreign tax credits may be pooled to offset against other income, subject to certain conditions. Foreign service fee income remitted to Singapore may be exempt from tax if it fulfils certain conditions.
Treaty overview	85 double tax treaties in force. Please see Appendix 5 for full list and https://www.iras.gov.sg/irashome/Quick-Links/International-Tax/List-of-DTAs--limited-treaties-and-EOI-arrangements for a most updated tax treaty list.

	Singapore
Implementation of BEPS	As a member of the Inclusive Framework on BEPS body, Singapore is committed to implement internationally agreed standards to counter base erosion and profit shifting. Singapore has implemented all of the four internationally agreed standards under the BEPS project as follows: 1 Countering harmful tax practices – Singapore participated in The Forum on Harmful Tax Practices. Its tax incentives meet international standards on countering BEPS activities. 2 Preventing treaty abuse – Singapore signed the MLI. 3 Transfer pricing documentation – Singapore adheres to the internationally agreed arm's length principle and implemented CbC reporting for financial years starting on or after 1 January 2017 (for multinational enterprises whose ultimate parent entities are in Singapore and whose group turnover exceed S$1.125 million), and signed the Multilateral Competent Authority Agreement ('MCAA') for automatic exchange of CbCR; and 4 Enhancing dispute resolution – The Singapore tax authorities have been engaging foreign tax authorities to resolve cross-border tax disputes via the mutual agreement procedure provided in the bilateral tax treaties of Singapore and will continue to monitor closely the OECD initiatives around implementation of minimum standards for dispute resolutions.

Appendix 4. International tax developments

4.1. Introduction

With the ever-increasing integration of global economies and markets, international tax issues have come to the forefront of governments' agendas, as existing tax laws and regulations are considered not to have kept pace with changing business models and sophisticated tax planning strategies.

In response to strong political pressure and growing public interest in organisations 'paying their fair share of tax', the G20 countries in November 2012 collectively asked the OECD to create an action plan to address the growing problem of BEPS[25] The OECD published a 15-point Action Plan in July 2013, which has sparked the biggest ongoing overhaul of international tax rules in almost a century.

There has also been considerable debate across the EU about 'fair taxation, including the levels of corporate tax paid by multinational companies, tax being used as a competitive tool between countries and the status of tax haven countries. Various initiatives have been launched by the EU to counter perceived 'unfair' tax systems and tax avoidance.

We set out below an overview of the key changes and the actions taken by the UAE to ensure compliance with new standards and trends on international taxation and transparency.

4.2. Base Erosion and Profit Shifting (BEPS) Project

4.2.1. What is the OECD BEPS Project?

The BEPS Project was launched by the OECD and G20 to address a growing global concern over taxpayers using 'inappropriate' tax planning to avoid taxation and artificially shift profits to low or no-tax locations. In July 2013, the OECD published a 15-point Action Plan to prevent BEPS and address perceived flaws in international tax rules.

The first phase of the BEPS Project was completed in October 2015 with the release of Final Reports on the BEPS Action Plan. The Final Reports provide a comprehensive set of measures and recommendations to address each of the BEPS Action Items, and the participating BEPS countries agreed minimum standards related to:

1. Action 5: Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance – this Action seeks to counter harmful tax practices and improve transparency between jurisdictions through the compulsory spontaneous exchange of information on tax rulings on certain specific topics. This Action also seeks to address preferential tax regimes by requiring changes to these regimes where they are considered to be abusive.
2. Action 6: Preventing the Granting of Treaty Benefits in Inappropriate Circumstances – this Action seeks to prevent double tax treaty abuse through the inclusion of model treaty provisions and/or changes to domestic legislation.
3. Action 13: Transfer Pricing Documentation and CbC reporting – this Action sets out rules regarding transfer pricing documentation to enhance transparency for tax administration.
4. Action 14: Making Dispute Resolution Mechanisms More Effective – this Action seeks to address the obstacles that prevent countries from solving treaty-related disputes under MAP, via a minimum standard in this area, as well as a number of best practices.

In addition, changes were agreed to the existing OECD Model Tax Treaty and Transfer Pricing Guidelines, and the Final Reports recommend 'best practice' approaches to designing domestic rules to address specific BEPS concerns.

The BEPS measures are in the process of being implemented through a combination of domestic tax reforms and international tax law changes, as well as administrative measures that will allow countries to work together better in combatting BEPS.

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[25] BEPS refers to tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity, resulting in little or no overall corporate tax being paid.

4.2.2. Position of the UAE

The UAE joined the OECD Inclusive Framework on BEPS on 16 May 2018. The Inclusive Framework on BEPS brings together over 125 non-OECD/G20 countries to collaborate on the implementation of the BEPS Actions.

Through joining the Inclusive Framework on BEPS, the UAE committed to implementing the above four BEPS minimum standards. The UAE will be subject to a monitoring process and peer reviews in respect of the implementation of the four BEPS minimum standards and other elements of the BEPS package.

4.2.3. Approach adopted by the UAE with respect to the BEPS minimum standards

Action 5: Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance

The underlying focus of Action 5 relates to concerns about preferential regimes that risk being used for artificial profit shifting, and about improving transparency through the exchange of information. As the UAE is largely a no-tax jurisdiction it is necessary to consider whether a RTC established in the UAE could be viewed as taking advantage of a low substance preferential regime, and thereby potentially subject to increased scrutiny from counterparty tax administrations.

Action 5 requires countries to implement a transparency framework, which requires the participating countries to engage in the spontaneous exchange of information with other relevant jurisdictions on tax rulings issued on the following specific topics:

- Rulings relating to preferential regimes;
- Unilateral APA or other cross-border unilateral rulings in respect of transfer pricing;
- Cross-border rulings providing for a downward adjustment of taxable profits;
- Permanent establishment rulings;
- Related party conduit rulings; and
- Any other type of ruling agreed by the Forum on Harmful Tax Practices that in the absence of spontaneous information exchange gives rise to BEPS concerns.

Jurisdictions must have the necessary legal framework that allows collecting of information on past and present rulings, and the necessary government-to-government mechanisms to facilitate the spontaneous exchange of information with other jurisdictions.

Action 5 also requires countries to ensure that taxpayers benefitting from a preferential tax regime have 'substantial activity' in the relevant jurisdiction. For example, benefits of preferential regimes relating to intellectual property (IP) should only be granted to taxpayers engaging in such activities and incurring actual expenditure on such activities in the relevant territory.

Actions taken by the UAE

The UAE signed the Convention on Mutual Administrative Assistance in Tax Matters ('**CMAATM**') on 21 April 2017.
This Convention is a comprehensive multi-lateral instrument and provides for all forms of administrative assistance in tax matters, including exchange of information on request, spontaneous exchange of information, and automatic exchange of information.

Whilst the UAE was identified in 2016 by the Global Forum on Transparency and Exchange of Information for Tax Purposes as needing to update their legal and regulatory framework to allow the collection of information, the implementation of VAT in the UAE as of 1 January 2018 (which requires taxpayers registration with the UAE's Federal Tax Authority and in doing so, furnishing information to a central tax administration agency) has allowed the UAE to make progress in this regard.

Given the current tax framework in the UAE, it does not have an IP-related or other industry/activity specific preferential tax regimes. As such, there should be no immediate actions required in this regard.

Action 6: Preventing the Granting of Treaty Benefits in Inappropriate Circumstances

Action 6 calls on countries to adopt a minimum standard in tax treaties to combat 'treaty shopping', that is, the practice of structuring MNCs in such a manner so as to take advantage of more favourable tax treaties in certain jurisdictions. If treaty benefits are commercially important, MNCs would need to be able demonstrate principal non-tax reasons for establishing a RTC or regional headquarters in ADGM, and maintain adequate people functions and infrastructure in the UAE

Action 6 requires countries to include a statement in the preamble of their double tax treaties that they are not intended to be used to generate 'double non-taxation', and to adopt one of the following minimum standards for double tax treaty relief:

- a PPT;
- a simplified Limitation of Benefits ('**LOB'**) rule, combined with a PPT; or
- a more complex LOB rule supplemented by specific rules dealing with conduit financing arrangements.

The PPT is a general anti-abuse clause that denies double tax treaty benefits where one of the principal purposes of a transaction or arrangement is to obtain double tax treaty benefits (against the purpose of the double tax treaty). The availability of double tax treaty benefits under the LOB rule is limited to entities that are considered 'qualified persons' as determined by the legal nature, ownership in, and general activities of the entity.

Countries can implement the above minimum standards into existing double tax treaties by signing the MLI. The MLI is a mechanism established under BEPS Action 15 to allow signing jurisdictions to implement Action 6 in an efficient and consistent manner.

Actions taken by the UAE

The UAE has begun to include the new preamble wording in its recently concluded double tax treaties, as well as provisions that specifically deny double tax treaty relief if one of the main purposes of an arrangement is to secure treaty benefits.

The UAE also signed the MLI on 27 June 2018, and made the following key provisional notifications/reservations:

- The UAE has chosen to include additional wording in the preamble of their double tax treaties stating the treaties should not be used for treaty abuse (BEPS Action 6 minimum standard).
- The UAE has chosen to include a PPT with the ability to refer to a competent authority for final assessment of the availability of treaty benefits (BEPS Action 6 minimum standard).
- The UAE has chosen to include addition wording in their double tax treaties to improve the dispute resolution process through MAP (BEPS Action 14 minimum standard).
- The UAE has chosen to retain the existing permanent establishment definition in its double tax treaties and has not elected to adopt the expanded definition.
- The UAE has chosen to retain their existing position on the taxation of capital gains realised on real estate rich entities and has not elected to adopt the proposed real estate rich provisions in their existing double tax treaties.

The MLI will not affect any UAE double tax treaties until the relevant ratification process has been completed by the UAE and the other treaty partner countries.

Action 13: Transfer Pricing Documentation and Country-by-Country Reporting

Transfer pricing rules seek to ensure that transactions between related parties are priced appropriately and reflect the position that would be observed in an independent third-party context. As part of Action 13, MNCs are required to provide tax administrations with information about their global business operations and transfer pricing policies. The objective of this information is to place the MNC group's transfer pricing practices in their global context and to provide tax administrations with a tool to identify and assess transfer pricing risks. An ADGM RTC will need to ensure it has sufficient substance and expertise in the UAE, commensurate to the risks it purports to assume, in order to robustly defend any challenge on the pricing of the RTC's transactions

Action 13 requires countries to adopt a standardised approach to transfer pricing documentation in the form of a Master file, a Local file and a CbCR. The CbCR requires MNCs to provide information about the global allocation of income, economic activity and taxes paid among the countries in which they have a legal or operational presence.

Actions taken by the UAE

In order to implement the Action 13 minimum standard, the UAE would need to (i) enact domestic legislation that requires the filing of CbCR by relevant multinationals; and (ii) have in place the necessary government-to-government mechanisms to facilitate the automatic exchange of the CbCRs. The implementation of Local and Master file requirements is not part of the Action 13 minimum standard.

As mentioned earlier, the UAE has already signed up for the CMAATM, as well as the MCAA, which is a supplement to the CMAATM used to implement Common Reporting Standards. As such, the government-to-government mechanism for implementing CbCR in the UAE could be achieved by the UAE signing the CbCR MCAA.

Action 14: Making Dispute Resolution Mechanisms More Effective

Taken together, the BEPS Actions aim to eliminate double non-taxation and align the location of profits with the location of activities. However, the implementation of these actions is expected to lead to an increase in the number of tax disputes, which increases the risk of double taxation. Action 14 therefore calls on countries to implement measures to ensure that treaty-related disputes are resolved in an efficient and timely manner.

Action 14 requires countries to first ensure that their domestic rules or double tax treaties include appropriate provisions to allow for the use of a MAP to resolve double tax treaty related tax disputes. In order to meet this minimum standard, the relevant country could update their double tax treaties through the MLI or by way of bilateral (re)negotiation. Additionally, countries would be required to publish rules, guidelines, and procedures to access the MAP as well as preparation of their MAP profile.

Actions taken by the UAE

Most, if not all, of the UAE's double tax treaties already include a MAP provision, which allow the countries to access the MAP process in the event of a dispute. In addition, by signing the MLI, the UAE has chosen to include additional wording in its double tax treaties to improve the dispute resolution process through MAPs.

4.2.4. Other BEPS Actions relevant for RTCs

BEPS actions 8-10 have resulted in a proposed revision to the OECD's recommendations for the transfer pricing of financing transactions. This approach results in the profits of lending being attributed principally to the location of the Significant People Functions with responsibility for originating and monitoring the loan, and managing the risks arising from it. By contrast, a company providing capital, but not the relevant Significant People Functions would be entitled only to a risk-free return on the capital.

It is likely that countries, including UAE, which follow OECD transfer pricing methodology will follow this approach once it is formally adopted.

4.3. Economic substance requirements

Substance is an increasingly important area of focus for tax administrations. UAE RTCs will need to demonstrate that the management, control and day-to-day decisions concerning their business activities are clearly undertaken in the UAE in order to avoid substance-based challenges from foreign jurisdictions.

4.3.1. What is meant by 'economic substance'?

The term 'economic substance' refers to the requirement to demonstrate actual economic presence suitable to the role and function of the entity in the jurisdiction where it is established in order to qualify for tax treaty benefits.

Under Action 5 of the BEPS Project the substantial activity requirement has been elevated with substance now being closely examined by tax authorities, the primary aim being to prevent artificial structures from being used for tax avoidance purposes.

Action 5 requires substantial activity for all preferential regimes. Examples of such regimes include:

- Intellectual property (IP) regimes;
- Headquarters regimes;
- Distribution and service centre regimes;
- Financing and leasing regimes;
- Fund management regimes;
- Banking and insurance regimes;
- Shipping regimes; and
- Holding company regimes.

4.3.2. What are the consequences of a lack of economic substance?

Foreign tax authorities may consider UAE companies lacking substance as merely being set up to take advantage of tax treaty benefits or for shifting profits to the UAE – where such profits will not be subject to tax. This may lead to the denial of tax treaty benefits to the UAE entity and the potential taxation of the entity's income in another jurisdiction e.g. because it is considered that effective management and control (whether of the whole entity, or of specific risks and functions) is being conducted in the other jurisdiction.

4.3.3. Demonstrating sufficient economic substance in the UAE

With respect to UAE RTCs, the core income generating activities of an RTC could include agreeing funding terms; setting the terms and duration of any financing; monitoring and revising any agreements; and managing any risks.

The economic substance attached to these activities is largely provided by the personnel responsible for managing these functions, or SPFs. Profits should therefore be attributed to the location where the SPFs that perform these functions, manage the assets and control the risks are located.

Key issues to be considered to evidence sufficient substance include:

- Maintaining a permanent physical office in the UAE;
- Employing qualified personnel based in the UAE proportionate to the activities of the RTC;
- Ensuring that those persons carry out their activities to manage the RTC's functions and risks at appropriate locations in the UAE;
- To be effectively managed in the UAE i.e. board meetings should be held regularly in the UAE, minutes of meetings should be duly documented, and key decisions should be made in the UAE;
- Making use of local external providers e.g. law firms, accounting firms, marketing firms; and
- Documenting operations at the company's local premises e.g. books of accounts, minutes' books, banks accounts, commercial contracts.

4.4. EU Mandatory Disclosure Rules (EU MDR)

The introduction of the EU MDR has been viewed as a vital mechanism in seeking to boost transparency and tackle aggressive cross-border planning, requiring disclosure of transactions and arrangements to relevant EU tax authorities where relevant 'hallmarks' are met. These obligations can fall on corporations directly or their intermediaries (advisors). EU Blacklisted countries can result in companies having reporting obligations, irrespective of whether the payment results in a tax advantage. The UAE has been subsequently removed from the EU Blacklist.

4.4.1. What is the requirement?

The EU MDR applies to cross-border arrangements involving one or more EU Member States which fall within certain, broadly defined hallmarks.

Intermediaries who are based in an EU Member State (and in some cases taxpayers themselves) will need to disclose reportable cross-border arrangements to their domestic tax authority and the disclosures will be shared between the tax authorities of all Member States quarterly

4.4.2. When do disclosures need to be made?

The Directive introducing these new rules came into force on 25 June 2018. For reportable cross-border arrangements implemented between 25 June 2018 and 30 June 2020, disclosure will need to be made by 31 August 2020.

On 1 July 2020, once the rules become fully applicable, disclosure will need to be made within 30 days of certain, specified, events.

4.4.3. The hallmarks

The Directive applies to a 'cross-border arrangement', which generally means an arrangement or a series of arrangements involving either more than one Member State, or a Member State and a third country. Cross-border arrangements must be reported to the tax authorities if at least one of certain broadly-defined 'hallmarks' is met. These hallmarks may be generic or specific and only some have a tax main benefit test attached to them.

4.5. Other developments

4.5.1. EU Anti-Tax Avoidance Directive (EU ATAD)

The EU ATAD requires EU member states to implement a number of anti-avoidance measures within their domestic tax rules, some of which would be relevant to the extent an EU company, or EU headed group seeks to establish or transact with an ADGM RTC.

In January 2016, the European Commission proposed an ATAD as part of a package of measures to prevent aggressive tax planning and boost tax transparency in the EU. This Directive has entered into force, with member states required to apply certain of its provisions from 1 January 2019.

The EU ATAD sets out anti-avoidance measures in respect of five areas:

- CIR rules;
- General Anti-Abuse Rule;
- CFC rules;
- Anti-hybrid rules; and
- Exit taxation rules.

The Directive requires member states to implement the new CFC and general anti-abuse provisions into domestic law with effect from 1 January 2019. Implementation of the interest restriction measures can, in certain cases, be postponed until 1 January 2024. The deadline for applying the exit taxation rule is 1 January 2020, and most of the measures relating to hybrid mismatches are required to take effect from 1 January 2020.

The implementation of the EU ATAD in member states has not only made changes to existing corporate income tax legislation necessary, but in some cases new laws have been required.

4.5.2. Anti-Hybrid Rules

EU member states are introducing rules which disallow tax deductions for payments where the corresponding receipt is not taxed, and this non-taxation is caused by the 'hybrid' nature of the transaction or the entities in question. 'Hybrid' in this case is a defined term referring to arbitrages between different tax regimes' classifications of entity or transaction, or the use of a preferential tax regime. Prima facie the fact that the UAE does not impose federal tax on an RTC does not appear to be non-taxation caused by hybridity, though the details in each territory's law will have to be considered carefully.

As part of the OECD's BEPS Project, Action 2 focused specifically on neutralising the effects of hybrid mismatch arrangements. These are effectively arrangements that produce multiple deductions for a single expense or a deduction in one jurisdiction with no corresponding taxation in the other jurisdiction. These rules could potentially be relevant in respect of transactions with an ADGM RTC which give rise to deductible payments in respect of which the receipt is not subject to tax or is perceived to arise under a preferential regime.

A 'hybrid mismatch arrangement', as defined by the OECD:

… exploits a difference in the tax treatment of an entity or instrument under the laws of two or more tax countries to produce a mismatch in tax outcomes where the mismatch has the effect of lowering the aggregate tax burden of the parties to the arrangement.

Taxpayers with operations in more than one country may avoid taxation through the use of hybrid mismatch arrangements.

Action 2 calls for domestic rules targeting mismatches that rely on a hybrid element to produce the following three tax advantaged outcomes:

- **Deduction no inclusion ('D/NI'):** Payments that give rise to a deduction under the rules of one country but are not included as taxable income for the recipient in another.
- **Double deduction ('DD'):** Payments that give rise to two deductions for the same payment.
- **Indirect deduction no inclusion ('indirect D/NI'):** Payments that are deductible under the rules of the payer country and where the income is taxable to the payee but offset against a deduction under a hybrid mismatch arrangement.

The implementation of the rules has varied across jurisdictions, for example, the UK were early adopters of the OECD's recommendations, enacting legislation with effect from 1 January 2017. On the other hand, Ireland does not currently have anti-hybrid rules, though it is noted that, as Ireland is subject to the EU ATAD, it is required to adopt laws and regulations necessary to comply with the ATAD anti-hybrid rules by 1 January 2020. Outside the EU, territories such as Australia have also introduced equivalent rules.

4.5.3. Controlled Foreign Companies (CFC)

CFC rules are aimed at preventing the erosion of the domestic tax base and discouraging taxpayers from shifting income to low or no tax jurisdictions. These rules could potentially be relevant in respect of the establishment or maintenance of an ADGM RTC by an EU headed group, or EU company, if the relevant jurisdiction seeks to assert that the profits of the RTC should properly be attributable to their jurisdiction (due to artificial diversion).

Outside the EU, territories such as Australia, Japan and the USA also have CFC rules.

Action 3 of the OECD BEPS Project sets out recommendations with respect to strengthening and designing effective CFC rules:

- Definition of a CFC – CFC rules generally apply to foreign companies that are controlled by shareholders in the parent jurisdiction. The report sets out recommendations on how to determine when shareholders have sufficient influence over a foreign company for that company to be considered a CFC.
- CFC exemptions and threshold requirements – Existing CFC rules often only apply after the application of provisions such as tax rate exemptions, anti-avoidance requirements, and de minimis thresholds. The report recommends that CFC rules only apply to CFCs that are subject to effective tax rates that are meaningfully lower than those applied in the parent jurisdiction.
- Definition of income – Although some countries' existing CFC rules treat all the income of a CFC as 'CFC income' that is attributed to shareholders in the parent jurisdiction, many CFC rules only apply to certain types of income. The report recommends that CFC rules include a definition of CFC income, and it sets out a non-exhaustive list of approaches or combination of approaches that CFC rules could use for such a definition.
- Computation of income – The report recommends that CFC rules use the rules of the parent jurisdiction to compute the CFC income to be attributed to shareholders. It also recommends that CFC losses should only be offset against the profits of the same CFC or other CFCs in the same jurisdiction.
- Attribution of income – The report recommends that, when possible, the attribution threshold should be tied to the control threshold and that the amount of income to be attributed should be calculated by reference to the proportionate ownership or influence.
- Prevention and elimination of double taxation – One of the fundamental policy issues to consider when designing effective CFC rules is how to ensure that these rules do not lead to double taxation. The report emphasises the importance of both preventing and eliminating double taxation, and it recommends, for example, that jurisdictions with CFC rules allow a credit for foreign taxes actually paid, including any tax assessed on intermediate parent companies under a CFC regime.

With taxes in the UAE so low compared to most other jurisdictions, and given the UAE is a prominent zero-tax jurisdiction), this would typically trigger the prima facie application of CFC rules in other jurisdictions. While these rules vary from country to country, generally they look at whether a domestic taxpayer controls the CFC, if the jurisdiction the CFC is located in imposes a tax rate substantially lower than the rate in the shareholder's country or if the CFC is located in a grey or black listed country. Income earned in the UAE may be subject to much higher reporting requirements as the UAE exchanges more information and the counterparty jurisdictions become more aware of how much they are not collecting. This may result in more rigorous application of CFC rules (and other mechanisms such as transfer pricing rules) with the potential result that income amounts arising in the UAE are included in the tax base of other jurisdictions (and theoretically subject to double taxation).

4.5.4. Interest restrictions

Territories introducing the BEPS recommendations or EU directives are introducing limitations on the deduction for interest expense. This is likely to change the preferred mix of debt and equity for funding certain territories. It is unlikely to make a difference whether the financing is through an RTC.

Action 4 of the BEPS Project sets out recommendations regarding best practices in the design of rules to prevent base erosion through the use of interest expense. Examples of such scenarios include where MNCs may be placing higher levels of third-party debt in high tax countries; using intragroup loans to generate interest deductions in excess of the group's actual third-party interest expense; or using third party or intragroup financing to fund the generation of tax exempt income.

The recommended approach is based on a fixed ratio rule which limits an entity's net deductions for interest and payments economically equivalent to interest to a percentage of its **EBITDA**. As a minimum this should apply to entities in multinational groups. The recommended approach includes a corridor of possible ratios of between 10% and 30%. The report also includes factors which countries should take into account in setting their fixed ratio within this corridor. The approach can be supplemented by a worldwide group ratio rule which allows an entity to exceed this limit in certain circumstances.

Interest restrictions of this type have already been implemented in a number of EU jurisdictions, including the UK, and the US.

Appendix 5. Double tax treaty network

Key:

- ● In force double tax treaty
- ◐ Pending double tax treaty
- ● Signed double tax treaty
- ● Double tax treaty under negotiation

1. Government Investment Income Tax Agreement only. The double tax treaty is a treaty which relates to the dividend, interest and capital gains income of Governments and their financial or investment institutions only

Country	UAE	UK	US	Ireland	Netherlands	Switzerland	Hong Kong	Singapore
Albania	●	●		●	●	●		●
Algeria	●	●			◐	●		
American Samoa								◐
Andorra	●				◐			
Angola	◐							◐
Antigua and Barbuda	◐	●						
Argentina	●	●		◐	●	●		
Armenia	●	●	●	●	●	●		
Aruba					●			
Australia	◐	●	●	●	●	●	◐	●
Austria	●	●	●	●	●	●	●	●
Azerbaijan	●	●	●	◐	●	●		
Bahrain		●		●	●	●	●	●
Bangladesh	●	●	●		●	●	◐	●
Barbados	●	●	●		●			●
Belarus	●	◐	●	●	●	●	●	●
Belgium	●	●	●	●	●	●	●	●
Belize	◐	●						
Benin	◐							
Bermuda	◐							
Bolivia		●						
Bosnia and Herzegovina	●	●		●	●			
Botswana	●	●		●				◐
Brazil					●	◐		◐
Brunei	●	●					●	●
Bulgaria	●	●	●	●	●	●		●
Burundi	◐							
Cambodia					◐		◐	●

Country	UAE	UK	US	Ireland	Netherlands	Switzerland	Hong Kong	Singapore
Cameroon	◐					◐		
Canada	●	●	●	●	●	●	●	●
Cape Verde								◐
Chad	●							
Chile		●	◐	●	◐	●		
China (P.R.C.)	●	●	●	●	●	●	●	●
Colombia	◐	◐				●		
Comoros Islands	●							
Costa Rica	◐				◐			
Croatia	●	●		●	●	●		◐
Curacao					●			
Cyprus	●	●	●	●		●	◐	●
Czech Republic	●	●	●	●	●	●	●	●
Denmark	◐	●	●	●	●	●		●
Ecuador	◐				◐	●		●
Egypt	●	●	●	●	●	●		●
Equatorial Guinea	◐							
Estonia	●	●	●	●	●	●	◐	●
Ethiopia	◐	●		●	●	●		●
Falk Island		●						
Faroe Island		●						
Fiji	●	●						●
Finland	●	●	●	●	●	●	●	●
France	●	●	●	●	●	●	●	●
Gabon	●							◐
Gambia	◐	●						
Georgia	●	●	●	●	●	●		●
Germany	●	●	●	●	●	●	◐	●
Ghana		●		◐	●	●		◐
Greece	●	●	●	●	●	●		
Grenada		●						
Guernsey	◐	●					●	●
Guinea (Conakry)	●							
Guyana	◐	●						
Hong Kong	●	●		●	●	●		
Hungary	●	●	◐	●	●	●	●	●
Iceland		●	●	●	●	●		

Country	UAE	UK	US	Ireland	Netherlands	Switzerland	Hong Kong	Singapore
India	●	●	●	●	●	●	●	●
Indonesia	●	●	●		●	●	●	●
Iran						●		
Iraq	◐							
Ireland	●	●	●		●	●	●	●
Isle of Man		●						●
Israel		●	●	●	●	●		●
Italy	●	●	●	●	●	●	●	●
Ivory Coast		●				●		
Jamaica		●	●			●		
Japan	●	●	●	●	●	●	●	●
Jersey	●	●					●	●
Jordan	●	●		◐	●			
Kazakhstan	●	●	●	●	●	●		●
Kenya	●	●			◐	◐		◐
Kiribati		●						
Korea (Rep.)	●	●	●	●	●	●	●	●
Kosovo	●	●		◐	●	●		
Kuwait		●		●	●	●	●	●
Kyrgyzstan	●	◐				●	◐	
Laos								●
Latvia	●	●	●	●	●	●	●	●
Lebanon	●							
Lesotho		●						
Libya	◐	●						●
Liechtenstein	●	●			◐	●	●	●
Lithuania	●	●	●	●	●	●		●
Luxembourg	●	●	●	●	●	●	●	●
Macau							◐	
Macedonia	●	●		●	●	●	◐	
Malawi	◐	●			◐			
Malaysia	●	●		●	●	●	●	●
Maldives	●						◐	◐
Mali	◐							
Malta	●	●	●	●	●	●	●	●
Mauritania	◐							
Mauritius	●	●				◐		●

Country	UAE	UK	US	Ireland	Netherlands	Switzerland	Hong Kong	Singapore
Mexico	●	●	●	●	●	●	●	●
Moldova	●	●	●	●	●	●		
Mongolia	◐	●				●		●
Montenegro	●	●		●	●	●		
Montserrat		●				●		
Morocco	●	●	●	●	●	●		●
Mozambique	●				◐			◐
Myanmar		●						●
Namibia		●						
Netherlands	●	●	●	●		●	●	●
Netherlands Antilles					●			
New Zealand	●	●	●	●	●	●	●	●
Niger	●							
Nigeria	◐	●			●		◐	●
Norway		●	●	●	●	●	◐	●
Oman		●		◐	●	●		●
Pakistan	●	●	●	●	●	●	●	●
Palestine	◐							
Panama	●	●		●	●			●
Papua New Guinea		●						●
Paraguay	◐							
Peru	◐					●		◐
Philippines	●	●	●		●	●		●
Poland	●	●	◐	●	●	●		●
Portugal	●	●	●	●	●	●	●	●
Qatar		●		●	●	●	●	●
Romania	●	●	●	●	●	●	●	●
Russia [1]	●[1]	●	●	●	●	●	●	●
Rwanda	◐							●
San Marino	◐							●
Saudi Arabia	●	●		●	●	◐	●	●
Senegal	●	●			◐			
Serbia	●	●		●	●	●	◐	
Seychelles	●							●
Sierra Leone		●						
Singapore	●	●		●	●	●		
Slovakia	●	●	●	●	●	●		●

Country	UAE	UK	US	Ireland	Netherlands	Switzerland	Hong Kong	Singapore
Slovenia	●	●	●	●	●	●		●
Solomon Islands		●						
South Africa	●	●	●	●	●	●	●	●
Spain	●	●	●	●	●	●	●	●
Sri Lanka	●	●	●		●	●		●
St. Kitts and Nevis	◐	●						
St. Maarten					●			
St. Vincent and the Grenadines	●							
Sudan	●	●						
Suriname	●				●			
Swaziland		●						
Sweden		●	●	●	●	●		●
Switzerland	●	●	●	●	●		●	●
Syria	●							
Taiwan		●		◐	●	●		●
Tajikistan	●	●	●		●	●		
Tanzania	◐							
Thailand	●	●	●	●	●	●	●	●
Trinidad and Tobago		●	●			●		
Tunisia	●	●	●	◐	●	●		◐
Turkey	●	●	●	●	●	●	◐	●
Turkmenistan	●	●	●	◐		●		
Tuvalu		●						
Uganda	◐	●			●			◐
Ukraine	●	●	●	●	●	●		●
United Arab Emirates		●		●	●	●	●	●
United Kingdom	●		●	●	●	●	●	●
United States		●		●	●	●		
Uruguay	●	●		◐		●		●
Uzbekistan	●	●	●	●	●	●		●
Venezuela	●	●	●		●	●		
Vietnam	●	●	◐	●	●	●	●	●
Yemen	●							
Zambia		●		●	●	◐		
Zimbabwe	●	●			●			
Number of DTTs (including signed and pending DTTs)	124	131	67	74	97	98	41	90

Country	UAE	UK	US	Ireland	Netherlands	Switzerland	Hong Kong	Singapore
In force DTTs	92	128	63	73	94	93	40	85
Pending DTTs	24	3	4	1	3	3	0	5
Signed DTTs	8	0	0	0	0	2	1	0
Under negotiation	8	0	0	9	8	3	14	8

Appendix 6. Glossary

Key	Term
ADGM	Abu Dhabi Global Market
APA	Advance Pricing Agreement
ATAD	Anti-Tax Avoidance Directive
ATCA	Advanced Thin Capitalisation Agreement (UK)
ATI	Adjusted Taxable Income (US)
ATR	Advanced Tax Ruling
BA	Banking Act (Singapore)
BEAT	Base Erosion Anti-avoidance (US)
BEPS	Base Erosion and Profit Shifting
CbC	Country-by-Country
CbCR	Country-by-Country Report
CFC	Controlled Foreign Company
CIR	Corporate Interest Restriction
CMAATM	Convention on Mutual Administrative Assistance in Tax Matters
Comparison jurisdictions	The Netherlands, Hong Kong, Ireland, Singapore, Switzerland, United Kingdom and the United States
CTC	Corporate Treasury Centre (Hong Kong)
CTL	Corporate Tax Law (Turkey)
D/NI	Deduction no inclusion
DD	Double deduction
DIFC	Dubai International Financial Centre
DTT	Double Tax Treaty
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EDB	Economic Development Board (Singapore)
EGTP	Egyptian Transfer Pricing (Egypt)
EU	European Union
FBC sales income	Foreign Base Company sales income
FBC services income	Foreign Base Company services income
FBCI	Foreign Base Company Income
FPHCI	Foreign Personal Holding Company Income
FSC	Financial Service Companies (Netherlands)
FSRA	Financial Services Regulatory Authority
FTC	Finance and Treasury Centre
FTZ	Free Trade Zone
GAAP	Generally Accepted Accounting Principles

Key	Term
GAAR	General Anti-Abuse Rule
GCC	Gulf Cooperation Council
GILTI	Global Intangible Low-Taxed Income
GST	Goods and Services Tax
HKPT	Hong Kong Profits Tax (Honk Kong)
IFRS	International Financial Reporting Standards
IRD	Interest and Royalties Directive (UK)
IRD	Inland Revenue Department (Hong Kong)
ITPR	Indian Transfer Pricing Regulations (India)
KSA	Kingdom of Saudi Arabia
LNC	Local Network Companies (Singapore)
LOB	Limitation of Benefits
MAP	Mutual Agreement Procedures
MASA	Monetary Authority of Singapore Act (Singapore)
MCAA	Multilateral Competent Authority Agreement
MLI	Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting
MNCs	Multinational Corporations
MoF	Ministry of Finance
MoU	Memoranda of Understanding
Net DTIR	Net Deemed Tangible Income Return
OECD	Organisation for Economic Co-operation and Development
Participating or regional territories	Bahrain, Egypt, India, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Pakistan and Turkey
PPT	Principle Purpose Test
QBAI	Qualified Business Asset Investment
QFC	Qatar Financial Centre (Qatar)
RTCs	Regional Treasury Centres
SPFs	Significant People Functions
TAAR	Targeted Anti-Avoidance Rule (UK)
TPD	Transfer Pricing documentation
TRC	Tax Residency Certificate
UAE	United Arab Emirates
UK	United Kingdom
US	United States
USPs	Unique Tax Selling Points
VAT	Value Added Tax
YA	Year of Assessment

For information relating specifically to the tax analysis contained in this report please contact:

Jochem Rossel
Tax Partner, Middle East M&A/International Tax Services Leader

T: +971 (0) 4 304 3445
M: +971 (0) 50 225 6909
E: jochem.rossel@pwc.com

Mat Macauley
Tax Partner, Middle East M&A/International Tax Services

T: +971 (0) 2 694 7537
M: +971 (0) 56 682 0618
E: mathew.macauley@pwc.com

Peter Maybrey
Tax Partner, Middle East Financial Services Tax Leader

T: +971 (0) 4 304 3424
M: +971 (0) 50 758 4326
E: peter.maybrey@pwc.com

Graham Robinson
UK Tax Partner

M: +44 (0)7725 707297
E: graham.x.robinson@pwc.com

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