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PwC Middle East Tax & Legal Update

January 2012

pwc

'Our priority is to provide you with leading tax knowledge and insights to keep you up to date, as well making sure we deliver services of the highest quality and which add value to you and your business'.

Introduction

Welcome to the latest edition of PwC's Middle East Tax and Legal Update.

In this edition, we continue to highlight fiscal policy developments as well as developments on international tax treaties within the Middle East region. This publication is divided into four sections:

1. Editorial
2. Regional Tax Update
3. International Tax Update
4. Legal Update

Our regional tax update covers significant tax, regulatory and legal developments in the Middle East including:

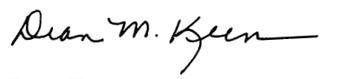
- Recent developments in double tax treaties
- VAT developments within the region
- Developments in individual tax compliance
- An overview of key international tax issues
- Legal developments

PwC has the largest team of dedicated tax and legal specialists currently operating in the Middle East region. Our regional tax team has significant experience in International Tax, M&A, Private Equity, Fund Structuring, Islamic Finance, Zakat, Indirect Tax (VAT) and Domestic Corporate Taxes. Our priority is to provide you with leading tax knowledge and insights to keep you up to date, as well making sure we deliver services of the highest quality and which add value to you and your business.

We hope you find this tax update informative and interesting. Naturally, for assistance or further explanation on any of the issues in this update (or any other taxation matters), please feel free to contact any of our in-country tax leaders or our regional tax and legal specialists as detailed at the back of this publication.

Finally, if you would like to add anyone to this distribution list, please e-mail MiddleEastTaxPublications@ae.pwc.com.

Yours faithfully,



Dean Kern
Tax Partner
Middle East Tax and Legal Services Leader
PwC

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Leading Middle East tax and legal expertise

2,500 people in offices covering 12 territories

PwC is the fastest growing professional services firm in the Middle East region with the market leading tax advisory practice. Our expert tax advisory partners are able to combine specialist internationally acquired consulting skills with relevant local experience.

In 2005, PwC was the first professional services firm in the Middle East region to establish specialist tax and consulting teams including international tax, mergers and acquisitions, indirect tax (including VAT and customs), as well as teams that provide industry focused solutions.

In 2010, PwC was also the first firm to establish a dedicated Legal capability which is registered to provide legal advice alongside our market leading practice.

Our International Assignment Services team was established in 1976 and further illustrates our distinctive and specialist capabilities which are the result of extensive practical knowledge gained while operating in the Middle East region.

Many of these capabilities are unique in the Middle East region and no other firm of taxation advisers can match our regional capabilities.

The combination of global experience and local knowledge allows PwC to provide our clients with a unique service offering.

In addition, we have been established in the region for over 40 years and have around 2,500 people in offices covering 12 territories and can therefore provide taxation services in:

- Bahrain
- Egypt
- Jordan
- Iraq
- Kuwait
- Lebanon
- Libya
- Oman
- Qatar
- Saudi Arabia
- United Arab Emirates
- The Palestinian territories.

Why choose PwC?

PwC has the largest tax practice globally and are recognised as the leading brand for the provision of taxation services; combining the knowledge of over 46,000 individuals in over 158 countries and territories.

The Global Tax Monitor (“GTM”) recognises PwC as the leading tax adviser globally by reputation, with a very strong lead over the competition.

This statement is based on an independent survey conducted by GTM. Launched in 2000, the GTM is an independent survey conducted by the research agency TNS. Further details are available on our website: www.pwc.com

Globally we comprise tax professionals, economists, lawyers and other professionals who have the insight, combined with market knowledge and technical skill to provide you with innovative practical advice.

We have experience of working in the public and private sectors; we have advised governments on fiscal matters; and we help our clients to structure their business to optimise tax effectiveness locally, regionally and globally.

‘PwC has the largest tax practice globally and are recognised as the leading brand for the provision of taxation services’.

According to the annual International Tax Review survey, of the tax advisory firms in the Gulf Cooperation Council, PwC has, for the past 4 years, been recognised as a Tier 1 firm in recognition of our depth of resources and range of specialist tax capabilities.

Our tax and legal services in the Middle East

PwC are leaders in the provision of tax advisory services in the Middle East region and this position was achieved by being the first professional services firm to establish specialist teams in the region, including:

International Tax Services (ITS)
Our International Tax Services team was the first to be established in the region and has the largest team of international tax structuring experts. Our global market-leading knowledge will help you to understand the impact of tax and regulatory developments throughout the world.

Mergers & Acquisitions (M&A)
Our M&A tax team was also the first M&A tax practice to be established in the region. Moreover, we have the largest team in the region with tax specialists based in all major markets.

Indirect Taxes
PwC was also the first firm in the region to establish an indirect tax practice in 2006 and is uniquely qualified to provide extensive regional knowledge. We are therefore uniquely placed to provide unparalleled tax advice to manage current or future VAT/GST obligations.

Transfer Pricing
As the first firm in the region to establish a transfer pricing practice, we are able to leverage our Global Transfer Pricing group, comprising more than 100 partners and 1500 dedicated professionals based in over 50 territories – more than any other professional services firm.

Legal Services
We were the first to establish and the only accounting firm to offer a specialist legal team that is able to provide legal regulatory and secretarial services.

Our regulatory group has extensive experience of advising inbound investors on all aspects of business start up, registrations and deregistrations and liquidation services.

International Assignment Services (IAS)
We have the oldest specialist IAS team in the region, established in 1976 and we are the only firm to offer this service. We provide unrivaled advice on individual tax compliance, share plans strategic tax structuring, expatriate and HR communication and repatriation advice.

Tax Management & Accounting Services (TMAS):
- Corporate compliance
- Indirect tax compliance
- Accounting & payroll services
- Tax accounting services.

Our unique global compliance network, comprises local territory compliance service teams, supported by proven process, innovative technology and effective central coordination to provide direct and indirect tax compliance, accounting and reporting and payroll services.

Thought leadership in taxation

The combination of local knowledge with specialist tax advisory capabilities allows us to advise governments and our many other clients on all aspects of taxation. This also provides us with a unique opportunity to deliver thought leadership material and other insights.

Visit www.pwc.com/middle-east for our latest thought leadership insights.

Paying Taxes
This study, from the World Bank Group and PwC, measures the ease of paying taxes across 183 economies worldwide by assessing both the cost of taxes and the administrative burden of tax compliance.

Visit our Middle East tax website: www.pwc.com/m1/en/tax

Worldwide Tax Summaries
Globalisation and the increase in cross-border activity means that tax professionals often need access to details of current tax rates and major features of the tax laws in a wide range of territories. Our "Worldwide tax summaries" provide a synopsis of corporate and individual tax regulations in 120-plus countries, as well as contact details for local PwC tax professionals.

www.pwc.com/taxsummaries
for more details.

Tax Update
Twice a year the PwC Middle East tax team compiles an update of significant developments in fiscal policy and international tax treaties within the region to make sure you are up-to-date with cutting edge tax and regulatory news.

Would this knowledge and experience add value to your business?

Partner profiles

Our partners include some of the region's thought leaders.

Mohammed Yaghmour
Mohammed is a Tax Partner based in Jeddah with more than 22 years of professional experience in the Saudi market and is one of the most well known tax advisors in the country. He is responsible for all income tax and Zakat affairs of our clients with the Department of Zakat and Income Tax. During his career, Mohammed has acquired a wide range of professional experience in industries, such as the trading, maintenance, transportation, manufacturing, investment, advertising and services industries.

Dean Kern
Dean M. Kern, the new leader of PwC's Middle-East international direct and indirect tax practice is a leading authority on international tax structuring and US tax compliance planning with specific focus on private equity funds, multinational portfolio companies and consumer and industrial product industries. His decades of experience in cross-border tax restructuring for global clients having operations in the Middle-East make him a senior specialist in the field of international M&A tax.

Bahrain

Regional Tax Update

Double tax treaty updates

Bahrain continues to expand its double tax treaty network and has recently signed the following double tax treaties:

- ***Bahrain-Czech Republic double tax treaty***
  The Bahrain-Czech Republic double tax treaty was signed on 24 May 2011. According to this treaty, dividends remitted to non-residents are subject to 5 percent withholding tax, interest remitted to non-residents is taxable only in the beneficial owner's state of residence and royalties remitted to non-residents are subject to a 10 percent withholding tax. In the Czech Republic, the general non-treaty withholding tax rate on dividend, interest and royalty payments by a resident to non-residents is 15 percent. Bahrain currently does not levy withholding tax on any cross-border payments.

- ***Bahrain-Sri Lanka double tax treaty***
  The Bahrain-Sri Lanka double tax treaty was signed on 24 June 2011. According to this treaty, dividends remitted to non-residents are taxable at a maximum 5 percent rate if the beneficial owner of the dividends is an entity that is wholly owned by the government of a contracting state. A 7.5 percent tax rate applies if the beneficial owner is a company, and a 10 percent rate applies in other cases. Interest, royalties, and fees for technical services that are remitted to non-residents are taxable at a maximum withholding tax rate of 10 percent. In Sri Lanka, a 20 percent non-treaty withholding tax rate generally applies to the remittance of dividends, interest and royalties by a resident to non-residents.

- ***Bahrain-Georgia double tax treaty***
  The Bahrain-Georgia double tax treaty was signed on 18 July 2011 and ratified by both Bahrain and Georgia in September 2011. According to this treaty, withholding tax on dividends, interest, and royalties remitted by a resident to non-residents is eliminated as such income will only be taxable in the beneficial owner's state of residence. In Georgia, the general non-treaty withholding tax rate on payments by a resident to non-residents is 5 percent for dividends and interest and 15 percent for royalties.

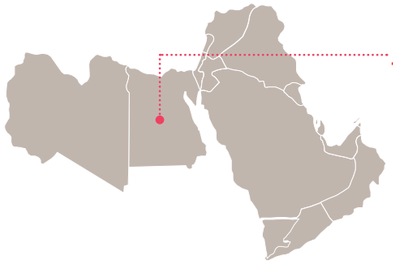
- ***Bahrain tax information exchange agreements***
  Bahrain has recently signed tax information exchange agreements with Denmark, the Faroe Islands, Finland, Greenland, Iceland, Norway and Sweden. These tax information exchange agreements provide for the mutual exchange of tax information in accordance with OECD standards.

  The above treaties will only enter into force after the instruments of ratification have been exchanged between the respective countries.

- ***Bahrain-Netherlands air transport agreement***
  The Bahrain-Netherlands air transport agreement became effective on 6 July 2011. This agreement provides for the reciprocal exemption of taxes on income and profits derived from international air transport. In the Netherlands, this agreement only applies to the part of the Netherlands that is located in Europe.

Additionally, the following treaties have also recently entered into force:

- ***Bahrain-Uzbekistan double tax treaty***
  The Bahrain-Uzbekistan double tax treaty entered into force on 12 January 2011 and its provisions will apply from 1 January 2012. According to this treaty, dividends, interest and royalties remitted by a resident to non-residents may be subject to a maximum withholding tax rate of 8 percent. In Uzbekistan, the general non-treaty withholding tax rate on payments by a resident to non-residents is 10 percent for dividends and interest and 20 percent for royalties.



Egypt

Egypt remains in a post-revolutionary environment, under the leadership of the Supreme Council of the Armed Forces ("SCAF"). Parliamentary elections commenced on 28 November 2011 and are to run through to mid January 2012. Tax developments may well be influenced by the outcome of these elections.

Introduction of a new corporate tax bracket of 25 percent

Law no. 51 of 2011 was issued by the SCAF in July 2011 as a part of the 2011/2012 Budget (effective 1 July 2011 and thus affecting all fiscal periods ending after that date). The Law imposes a new corporate tax rate of 25 percent on annual net income exceeding 10 million Egyptian pounds (EGP). Accordingly, the 20 percent corporate tax rate applies to the first EGP 10 million of annual net income only, with any income exceeding this threshold subject to the 25 percent rate.

Introduction and application of VAT in January 2013

The Ministry of Finance ("MOF") has previously announced its intention to introduce a fully fledged Value Added Tax ("VAT") Law, to be applicable from January 2013. Following recent newspaper reports suggesting that this timetable may be accelerated, the MOF has reconfirmed that a VAT regime will not be applicable before January 2013.

The Egyptian Sales Tax Law (GST) currently applies like a VAT on goods (with some exceptions), and like excise tax on a selected list of goods and services. The new VAT Law is expected to extend the VAT treatment to the provision of services (with some exceptions).

Through the new VAT Law, the MOF mainly aims to do the following:

- Raise the VAT registration threshold
- Streamline excise taxes
- Broaden the tax base by reducing the provision of VAT exemptions for certain projects, commodities, and services
- Increase the VAT rates.

Whilst the specifics of the new VAT Law are not yet known, companies (and especially those engaged in the provision of services) should be aware that their VAT/GST positions may change and that they may need to refine their processes and systems to reflect this.

Real estate tax

Law no. 118 of 2011 was issued by the SCAF amending the Real Estate Tax Law No. 196 of 2008, whereby the implementation of the 2008 Law should be effective starting from 1 January 2012. From that date, taxpayers were to begin remitting any real estate taxes due. However, the MOF has recently confirmed that it intends to revisit the Law to amend the following and to be effective January 2013 instead:

- Increase the threshold for Real Estate Tax application
- Exempt owner-occupied houses from this tax.

It is worth noting, however, that the above amendments are still being considered, and therefore cannot be guaranteed.

New Government and New Finance Minister appointed

In early December, a new government was appointed by the ruling SCAF where Dr. Kamal El Ganzoury (previous Prime Minister during Mubarak's Regime) has been chosen as the Prime Minister. Dr. Kamal El-Ganzoury has appointed Dr. Momtaz El-Saied to replace Dr. Biblawy as the Finance Minster.

Dr. El-Saied had served as Deputy of the Minister of Finance in 2011, was a Board Member in the National Investment Bank, and was previously responsible for the negotiations with the International Monetary Fund and World Bank missions during the period from 1990 through 2008.

'Accordingly, the 20 percent corporate tax rate applies to the first EGP 10 million of annual net income only'.

Iraq

Pursuant to the provisions of Article (3) of the Law of Income Tax Imposition on foreign oil companies No. (19) of 2010, the tax authority issued an Instruction comprising five new articles. The instruction was approved by Shura Council on 20 October 2011 but has not yet been gazetted. Details of the Instruction are summarised below.

Article (1)
Foreign oil companies contracted to operate in Iraq conducting the following activities will be subject to corporate tax at rate of 35 percent:

A. Oil and gas fields and exploration areas upstream development contracts
B. Seismic survey
C. Wells excavation
D. Reclamation of wells
E. Technical operations related to wells and including the laying down linings, cementing, wells recovery, electrical boring and wells completion
F. Surface installations for the operations of producing and extracting oil, gas and the industries related to them
G. Water injection installations
H. Flow pipes
I. Gas treatment coefficient
J. Cathode protection
K. Engineering examination and qualitative control related to oil industries
L. Water wells excavation
M. Activities related to extraction up to the limit at which oil or gas is ready for pumping to exportation outlets.

For the purposes of this Instruction, "Foreign Company" shall mean the company incorporated in accordance with foreign laws.

Article (2)
Salaries, wages and allowances of Iraqi and foreign personnel working in contracted foreign companies, their branches and offices and subcontractors, shall be subject to the direct deduction tax whether such amounts were received inside or outside the Republic of Iraq.

Article (3)
Income maturity date shall be approved as a basis for accounting and imposing income tax according to the following:

First: All refundable expenses shall be considered capital expenses in the first years till the recovery point is reached.

Second: The amounts of revenues shall be prepared, when commencing the process of recovery, in the form of proceeds in the accounts. The Company shall have the right to amortise investment expenses provided for in First hereof in the same amount as the amounts refunded till fully amortised.

Third: All expenses spent by the Company and refundable after the recovery point shall be maintained as costs in the accounts.

Fourth: The Company shall have the right to amortise expenses provided for in Third hereof in the same year, at the sum of the amounts refunded considered as revenues in the accounts.

Fifth: Amounts which cannot be amortised and provided for in the Fourth hereof shall be carried forward to the accounts of investment expenses, to be amortised in the following year in the sum of the amounts refunded.

Article (4)
The main contractors (operators) are required to deduct 7 percent of the total payment due to the subcontractor. The amounts deducted shall be transferred to the Public Taxation Authority within thirty days of the date of payment and shall be entered as trusts to be settled when preparing the final tax accounts.

No tax trusts shall be deducted for entry settlement operations between the companies, conducted for covering reciprocal expenses among such companies operating within one contract, and carried out on the basis of cost without adding any loadings or profits; provided that the Company's balance sheets shall clearly prove such settlements and no interests shall result on the balances of such accounts.

Article (5)
Such instructions shall be enforced as of 15 March 2010, being the date of enforcement of Law No. (19) of 2010.

> ***'First: All refundable expenses shall be considered capital expenses in the first years till the recovery point is reached'.***

Jordan

New regulation enacted

During 2011 a new regulation, that exempts certain juristic persons from income tax such as unions, communities, associations and exempted companies, was enacted. Key features of the new regulation are outlined below.

- For the exemption to apply, unions, professional communities, cooperation societies and other associations that are legally registered and licensed to obtain this exemption need to meet the conditions outlined below.

The income of any religious, charitable, cultural or educational institution and others that are not profit oriented are also included, as long as they also meet the below conditions:

- The objectives under their license or registration should be for the benefit of public interest and designed to serve the community without achieving any personal benefit.
- It should spend its earned income from its activities to achieve its goals and objectives and should not distribute its income to any of its shareholders, either entirely or partially.
- All assets should be reverted at the time of liquidation or dissolution according to the articles of association, to any party that is exempt under this regulation or to any official or public association, or to a municipality in Jordan.

Goods and services – amended instructions for 2011

Amended instructions were issued on 16 February 2011 by the Council of Ministers for outstanding profit or net profit ratios for goods and services under the trading, manufacturing and services sectors. Details of the instructions are given below:

- The calculation of the net profit of the gold and jewellery sectors for partnerships, limited partnerships and individuals is as follows:
  - Considering working capital as the basis for estimation
  - Net profit is calculated per kilogram as per the table below:

Working capital	Net profit for each kilogram
1-5	250 JD/Kg
6-10	350 JD/Kg
11-15	400 JD/Kg
16-20	500 JD/Kg
21 and upper	550 JD/Kg

- The net profit ratio is calculated at 6 percent of the working capital value for diamond, jewellery and precious stone dealers and if the taxpayer imports these items, then it will be based on the value of imports or working capital, whichever is greater.
- Net profit is calculated and determined using the weight (kilograms) and the kind of gold – which depends on the stamped quantities by the Ministry of Industry and Trade:

Kind of gold	Net profit for each kilogram
Coins	20 JD/Kg
Coarse Gold	50 JD/Kg
Medium Gold	100 JD/Kg
Smooth Gold	100 JD/Kg
Stoned Gold	300 JD/Kg

- Factories that deal in maintenance, repairs, installation of stones and others will have net profit determined according to the number of workers:

Workers Number	Net profit
Not more than two	1,500 JD
More than two but less than five	4,000 JD
More than five	7,000 JD

- The individual taxpayer is not granted exemptions or reductions while accounting for their net profit on the trading activities of gold and jewellery, and in cases where other income exists, the taxpayer will be granted a partial exemption (Taxable income from other sources/ Total income*exemptions). This amount should not be less than their tax on gold trading. Where an acceptable loss is generated, the same will be settled against the earned income generated from the gold trade. Any accumulated losses will be carried forward based on the enacted tax laws.
- If the taxpayer performed their activities in this sector for a period of less than one year, then they should account for their income in the current period only.
- For the purpose of this article, working capital should be approved by the general union for the trade and formation of jewellery shops. The tax authority has the right to contest the correctness of working capital through any evidencible way.
- The profit of the bakery shops will be calculated as follows:
  - Standard flour, JD 4 for each ton is considered net profit.
  - Other flour types called zero and flower, net profit by 4 percent and by applying the following equation: Quantity of flour in Kg x 1.3 x JD 0.75 “Kg selling price” x 4% net profit ratio.

General Sales Tax

The following new General Sales Tax (GST) resolutions were passed during 2011:

- Exempting the manufacturing of gold and jewellery from GST.
- Adding the residues and waste of certain animal food manufacturing industries to goods that are subject to zero-rated GST, and to remove them from the schedule of goods that are subject to 4 percent GST tax, starting from 10 July 2011.
- Extending the reduction of the GST on hotel accommodation services to 8 percent (from 14 percent), to 31 December 2011.
- Exempting light bulbs from GST for two years starting from 30 April 2011.
- Subjecting noodles, item number (19.02) and all kinds of processed meat (such as sausage) items; numbers (16.01) and (16.02), to GST at a rate of 4 percent and to remove these items from the schedule of the exempted goods.
- Subjecting new tires of heavy vehicles (between 17 to 24 inches) to GST at a rate of 4 percent instead of 16 percent.
- During 2011, kerosene and diesel products were exempted from special sales tax, and there was a reduction in the special sales tax rate of octane 90 gasoline to 12 percent instead of 18 percent. This is effective until the end of 2011.

There are also amendments (including new goods and services and the removal of existing goods and services) from the following schedules:

- Goods added to the schedule of items subject to 4 percent instead of 16 percent GST include:
  1. Bulgur
  2. Dry dates
  3. Peanuts, not roasted or cooked.

- Goods added to the schedule of items that are exempted from GST include:
  1. Fresh dates
  2. Beans
  3. Whey
  4. Sausages and others.

Social Security

There are two new regulations in the social security law in Jordan:

1. Starting 1 September 2011 the social security contribution rates were increased by the new unemployment and maternity insurances to
   - Employee contribution 6.5 percent (5.5 percent before 1 September 2011)
   - Employer contribution 12.25 percent (11 percent before 1 September 2011).
2. Starting 1 May 2011, a company is obliged to register with the social security department if it has one employee or more (before 1 May 2011 it was five employees or more).

‘During 2011, kerosene and diesel products were exempted from special sales tax.’

Kingdom of Saudi Arabia

Zakat treatment of finance leases and loans – fundamental changes based on new case law

Based on case law zakat payers may enjoy two significant new developments:

1. In line with Ministerial Resolution 1005 and general zakat principles the DZIT tends to disallow the deduction of receivables under finance leases. Consequently, the lessor is likely to face a significant zakat exposure. A Saudi court has now ruled that the investment into finance leases should qualify as a zakat deductible asset, provided that certain requirements are met.

2. Based on Fatwa 22665, liabilities which have been outstanding for a complete year are subject to zakat irrespective of their use. To the extent those liabilities have not been used to invest in deductible assets, the zakat payer is likely to suffer an effective zakat burden on such liabilities regardless of the company's accounting profits. This treatment resulted in a duplication of the zakat burden (i.e. at the level of the lender and the borrower).

   Recently, a Saudi court has ruled that such duplication of zakat is not in line with zakat principles. Hence, zakat payers should only be required to add liabilities to their zakat base if the money has been used to invest in zakat deductible assets. The trading, manufacturing and construction industries, as well as other industries which require considerable amounts of working capital, should benefit from this ruling.

Value Added Tax
In one of its most recent issues of its periodicals the Department of Zakat and Income Tax ("DZIT") included a comprehensive article on Value Added Tax ("VAT") although Saudi Arabia does not currently levy VAT. In relation to the efforts of the United Arab Emirates and Bahrain to introduce a VAT regime, the article might be taken as an indication that the Saudi tax authorities are also, internally, considering introducing VAT.

However, the Saudi tax authorities have not officially taken a position with respect to a potential launch of VAT. Therefore, we are not expecting a Saudi VAT regime to take shape in the near future. Nevertheless, businesses in Saudi Arabia should take certain precautions. For instance, new contracts should include appropriate language dealing with the VAT consequences of the underlying transaction or at least requiring the parties to amend the contract in good faith in case VAT is introduced in Saudi Arabia.

Saudi Social Insurance (GOSI)
It is expected that the General Organization for Social Insurance (GOSI) will increase the contributions percentage, mainly for non Saudi employees, in an attempt to meet certain objectives including encouraging employment of Saudi nationals. Currently, the contribution rate for Saudi employees is 20 percent payable by both the employer (11 percent) and the employee (9 percent), while it is only 2 percent for non Saudi employees payable by the employer only.

Although nothing is confirmed in this respect, additional precautions should also be considered when entering into new contracts or amending the current ones.

8th Technical Conference of the Association of Tax Authorities of Islamic Countries (ATAIC)
The DZIT hosted the 8th Technical Conference of the Association of Tax Authorities of Islamic Countries (ATAIC) in Riyadh from 1-5 October 2011.

This event demonstrates the Kingdom's commitment to achieve a high level of cooperation and consolidation among Islamic countries. In addition, it indicates the importance of tax administrations to national economies where successful tax policies and laws require successful tax administration to administer them.

ATAIC's core objective is to provide a forum to tax authorities of Islamic Countries to share experiences and facilitate the development and improvement of tax policies, knowledge and best practices and to foster mutual cooperation. The annual technical conference, such as the one held in the Kingdom, is a meant to achieve such objectives, including the recognition of the important role of tax and zakat administration in the promotion of economic development.

PwC was invited to attend this conference. The role of tax treaties and a model of tax treaties for Islamic countries were the main topics of the conference, and were deemed important in order to build up capabilities and skills in Islamic countries in this field, which itself is important for enhancing movement of investments and trade among countries.

Kingdom of Saudi Arabia

Double tax treaty updates

Bangladesh – Saudi Arabia double tax treaty

The Saudi Arabian Council of Ministers on 11 July 2011 approved Saudi Arabia's pending income tax treaty with Bangladesh.

The treaty, signed on 4 January 2011, is the first income tax agreement concluded between the two countries. It will enter into force after the exchange of ratification instruments.

Under the treaty, dividends and interest are taxable at a maximum rate of 10 percent and 7.5 percent respectively, and royalties are taxable at a maximum rate of 10 percent. Both countries generally use the credit method for the elimination of double taxation.

Japan – Saudi Arabia double tax treaty

The Japan-Saudi Arabia income tax treaty and protocol signed in Tokyo on 15 November 2010, entered into force on 1 September 2011 and will generally apply from 1 January 2012. The agreement is the first income tax treaty between the two countries. It provides that dividends are taxable at a rate of 5 percent if the beneficial owner is a company that holds at least 10 percent of the voting power or shares of the payer company during a period of 183 days, ending on the date on which entitlement to the dividends is determined. In other cases a 10 percent rate will apply.

Interest are to be taxed at a rate of 10 percent. Royalties paid for the use of industrial, commercial, or scientific equipment are taxable at a 5 percent rate, and a 10 percent rate applies in other cases.

Both countries generally use the credit method for the elimination of double taxation.

New signed treaties

Saudi Arabia and Ireland signed an income tax treaty in Riyadh on 19 October 2011. Under the treaty, dividends may be taxed at a maximum of 5 percent, and royalties taxed at a maximum of 5 or 8 percent. Both countries generally use the credit method for elimination of double taxation.

The treaty will enter into force one month after the countries exchange ratification instruments, and its provisions generally will apply from 1 January of the year following its entry into force.

Saudi Arabia and Kazakhstan signed an income tax treaty on 7 June 2011. The treaty, which is the first agreement of its kind signed between the two countries, will enter into force after the exchange of ratification instruments.

Saudi Arabia and Ukraine signed an income tax treaty on 2 September 2011. The treaty, which is the first agreement of its kind signed between the two countries, will enter into force after the exchange of ratification instruments.

Treaties effective as of 2012

As of 1 January 2012 several double tax treaties (Japan, Vietnam and Singapore) will become effective. Accordingly, payments to beneficiaries in the new treaty jurisdictions may enjoy treaty benefits if they are made in 2012. Therefore, taxpayers may want to review whether payments which are due in 2011 can be delayed until 1 January 2012.

Claiming relief under a tax treaty

In 2010 the Saudi tax authorities published a circular which defined the procedure to claim relief from Saudi withholding taxes under double tax treaties. According to the circular, tax is required to be withheld at domestic rates in the first instance. The difference between domestic and treaty rates should then be reimbursed once the resident tax payer and the non-resident beneficiary have applied for a refund and proven that the beneficiary is entitled to treaty protection. The circular suggests a relatively straightforward refund procedure with only a limited number of documents to be submitted along with the refund request. In practice, though, the DZIT has applied noteworthy scrutiny and requested more documents than the ones listed in the circular.

At least in one case, the DZIT denied treaty protection because the non-resident beneficiary was deemed to have a permanent establishment in Saudi-Arabia. Since the DZIT applied a tax payer-friendly estimate of the taxable income and allowed a credit of withheld taxes, the tax payer eventually enjoyed a partial refund of the taxes which were withheld by his Saudi customer.

It should be noted, however, that the DZIT may not always take such a forthcoming position. Therefore, tax strategies which rely on treaty protection may need to be reviewed and fallback positions explored. Furthermore, an application for refunds should be thoroughly prepared and supporting documents should be readily available upon request by the DZIT.

Kuwait

Tax decree to ensure compliance for franchise companies

The Kuwait Tax Authorities (KTA) have implemented an active approach to ensure the compliance of the local companies with the tax retention mechanism, especially those who have franchise operations and agreement with foreign franchisors in Kuwait. We are aware that the KTA has, in the recent past, visited certain Kuwaiti groups to emphasise to them the implications of non-compliance. The KTA has also, in certain cases, asked Kuwaiti companies to settle the 5 percent retention in cases where their franchisors have failed to comply with the Tax Law requirements.

In this respect, the tax law now clearly states the following:
All ministries, authorities, public institutions, companies, any private entities (and similar), or any natural person that contracted with any incorporated body whether through contracts, agreements or any transactions, shall retain 5 percent of the contract, agreement or transaction value or from each payment to the incorporated body.

The above-mentioned authorities and entities are required to provide the above amounts, along with any information required by the tax administration, in order to implement the income tax decree. Violation of this article will result in the violator being responsible for the payment of tax payer's debts. In event of breach of paying the tax payers debts, the breaching party shall be liable for paying tax debts payable by the incorporated body.

We are aware that the KTA is currently adopting a very aggressive approach for non-compliant tax payers and franchisors. The KTA started to issue Tax Assessments on an arbitrary basis by applying an aggressive deemed profit with penalty to foreign franchisors. We are aware of several international brand owners that have franchise stores in Kuwait who have already received tax assessments on an arbitrary basis and, in some cases, the KTA has pursued legal action against those brand owners who continue not to comply with the Kuwait Tax Law.

Value Added Tax

The KTA have established an Independent Value Added Tax (VAT) Division, in order to be fully prepared for future implementation plans for VAT in Kuwait and the GCC area. The current role of this department is to identify the companies that will be subject to the VAT law.

Although nothing has been officially issued, the Ministry of Finance (MoF) in Kuwait is currently studying and preparing for the implementation of a (VAT) Law. There have been significant steps, studies, training sessions, and other internal meetings within the Ministry of Finance in this regard. Based on our unofficial discussions with senior officials at the MoF, we understand that they are arranging to pass the draft of the Law Study to Parliament and government in the near future and estimate that the Law will be introduced by the year 2013.

Double tax treaty updates

- Kuwait – Kyrgyzstan double tax treaty

The income tax treaty between Kuwait and Kyrgyzstan has the first letters signed on 14 July 2011.

Oman

Changes made in the Income Tax Law introduced in June 2009, effective January 2010

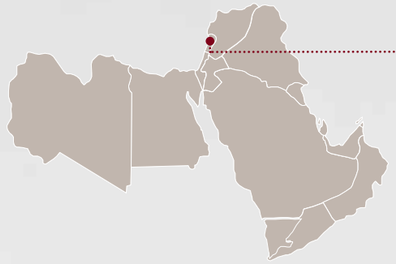
Avoidance of International Double Taxation
To encourage Omani businesses to spread their wings and engage in global business, the new Income Tax Law provides relief for foreign taxes paid under the credit method. However, the credit for any foreign taxes paid will be limited to 12 percent.

The Law provides rules for the avoidance of double taxation by allowing the deduction of the foreign tax paid by Omani companies against the tax payable by them on their taxable income. This provision is made in light of overseas investments made by Omani companies and to fall in line with the provisions of the agreements for avoidance of double taxation on income entered into by the Sultanate with various countries worldwide.

Avoidance between related parties
In the case of related parties, two parties are deemed to be associated with each other if one controls the other or both are controlled by same person, by virtue of shareholding, voting power, rights to distribution of profits or assets, or marriage. The Oman Tax Law requires that two related parties shall do business with each other on an arm's length basis.

The government seems to have plugged revenue leakage gaps by specifically requiring related party tax payers to enter into transactions on the same basis as transactions between independent persons. The tax authorities may disagree with the pricing methodology if they consider that the terms of transactions are unreasonable and not in accordance with the arm's length principle.

Under the new Income Tax Law, where the tax authorities have made an adjustment for tax avoidance in respect of a transaction between related parties, the Law allows the other party to claim a benefit for any adjustment made in the assessment of the other related party.



Lebanon

Law No. 180 – Adjusting Article 31 of Legislative Decree No. 144/1959

The Council of Ministers, with the approval of the parliament, have amended this article to promote fairness in the treatment of family deductions between husbands and wives.

Law No. 180 states that the allowance for a non-working spouse is given to both men and women and the child benefit is allocated to either spouse regardless of gender (previously only men were provided this privilege).

This Law took effect as of 1 September 2011.

Instructions No. 2270 – calculating VAT and late registration penalties
The tax authorities issued Instructions No. 2270 on 19 August 2011 to clarify the mechanism for calculating VAT and penalties due to late registration with the VAT department. The VAT due is calculated based on the profit margin as determined under the Income Tax Law for the taxable supplies provided during the period when the taxpayer should have been registered with the VAT department, but was not, and on any VAT charged by the taxable person without being registered for VAT, if any.

To calculate the penalties due, violations are split into those occurring prior to 2009 and those occurring subsequent to 2009. The penalties are calculated based on the provisions of the Tax Procedure Law.

Reduction of penalties
On 12 August 2012, the Ministry of Finance (MOF) requested all tax payers to settle any pending tax matters including amending and filing non-submitted or incorrect tax declarations. They announced that all requests to reduce penalties for tax violations occurring after 1 August 2011 will be declined and no reduction of penalties will be applicable as of 1 January 2012.

Based on the above, the MOF issued several decisions in October 2011 that reduce penalties on violations occurring prior to 1 August 2011 covering income tax, built property tax, transfer tax, indirect tax and VAT, if both the tax and reduced penalties are settled by 29 December 2011. In addition, there will be reduced penalties on stamp duty violations occurring before 20 September 2011 on condition that both duties and reduced penalties are settled by 31 December 2011.

New tax forms and declarations
The tax authorities have issued new forms and declarations that should be used as of 1 January 2012 for VAT, stamp duty and indirect taxes.

Draft budget law 2012
A draft budget law for 2012 for Lebanon was submitted in September 2011 by the Ministry of Finance to the Lebanese Government for approval. To date, no approval has been granted. However, the main tax consequences that were considered are the following:

- An increase of the withholding tax on bank interest from 5 percent to 8 percent.
- Increase in VAT rate to 12 percent from 10 percent.
- Gains realised by individuals on disposal of shares in joint stock companies will be subject to 10 percent capital gains tax (currently such gains are not subject to tax).
- Revenues realised from sales of real estate are subject to 3 percent tax (currently such revenues are not subject to tax).
- An exceptional revaluation capital gains tax of 6 percent instead of 10 percent.
- Gains realised from the revaluation of entities transferred to joint stock companies (SAL) are reduced to 6 percent or 8 percent (from 10 percent) if the transfer is between the same owners and without changes in the percentage of ownership, or if changes in owners or percentage of ownership occurred respectively.

Other adjustments on taxes were also submitted that will have an effect on stamp duty, VAT, dividend distribution tax, and social security contributions.

'Law No. 180 states that the allowance for a non-working spouse is given to both men and women and the child benefit is allocated to either spouse regardless of gender'.

The Palestinian territories

The Palestinian Authority has recently (October 2011) approved a new law on income tax ("new ITL") which would replace the Income Tax law number 17 of 2004 which had been in force since 1 January 2008. However, this new ITL will be valid retroactively from 1 January 2011.

The following points summarise the most important changes that have taken place in the new law:

1. *Tax on capital gains*

The exemption on capital gains for banks and financial institutions has been replaced with an exemption of 25 percent on the profits of buying and selling of stocks and bonds, provided that no other expenditure could be deducted from these profits.

This means that in order to calculate the tax on capital gains from the sale of stocks and bonds, tax is imposed according to the tax rates prescribed by law on 75 percent of these capital gains, without any deduction for expenses incurred in order to achieve these profits.

The exemption on the sale of real estate has been rescinded

2. *Permission to accumulate capital losses*

The old law did not permit taxpayers to accumulate capital losses. However, under the new ITL, capital losses will be allowed to be accumulated alongside other losses. The new ITL allows accumulation of losses that cannot be deducted from total net income from other sources in the same year, to be carried forward to the following consecutive year, and onwards, for a maximum of 5 years. Any carry-forward is dependent on the taxpayer being keeping and being able to show, correct and original records.

3. *Tax rates brackets for individuals*

According to the new ITL, the tax percentage rates for individuals remain the same, but the earnings-bands have been revised.

The new rate bands from 2011 are as follows:

Yearly gross income	Tax rate
1 – 40,000 shekels	5 percent
40,001 – 80,000 shekels	10 percent
Above 80,000 shekels	15 percent

4. *Change of the method for calculating tax on life insurance companies*

According to the new ITL, the amount of income tax payable by life insurance companies is 5 percent, and this is calculated on the amount of the total life insurance premiums due to the company.

However, if these companies have revenues from other non-life insurance activities, then the company will be taxed on this non-life insurance income in line with tax rates applied to other companies – i.e. 15 percent on the taxable profit from these activities.

5. *ccounts on the income from long-term contracts*

The new ITL has added a provision regarding construction contracts and installation of related services, if the implementation of such services on these contracts or projects is not completed in the same tax year in which they commenced.

According to the provision, income and expenses must be calculated on the basis of the actual completion rate, according to a written report amended by the competent authority and validated by the supervisor of the implementation, as follows:

1. The value of the contract is to be multiplied by the percentage of completion during the tax year, to determine the income to be settled in that year.
2. The total expenditure, which will be disbursed for the implementation of contract, is to be multiplied by the percentage of completion, or the actual expenses incurred, whichever is the lower, for determining the value of expenses deductable during the tax year.

The taxpayer must show each individual project separately in their accounts.

6. *Deduction of tax at source*

According to the new ITL, 'other' categories of taxpayers shall deduct taxes at source.

These categories of taxpayers are:

1. Anyone who pays prizes or lottery winnings, in cash or in cash equivalent, and anyone who pays interest or Murabaha on deposits. They shall deduct tax at source at a rate of 10 percent of the amount paid. This tax is considered final, unless it is paid to a company, in which case it will be added to its profits.
2. Anyone who pays fees or wages to resident doctors, lawyers, engineers, auditors, experts, consultants, and other self-employed, or pays for the sale, lease or grant of the right to use and exploit any trade mark or design or patent or copyright. In this case, 5 percent of the amount paid shall be deducted at source.

7. *Income tax for individual farmers*

According to the new ITL there is no longer an exemption from income tax on the income of individual farmers.

8. *Income earned outside the Palestinian territories*

The new ITL has added a provision that provides a tax exemption for individual income earned outside of the Palestinian territories, unless it arises from that person's funds or deposits in the Palestinian territories.

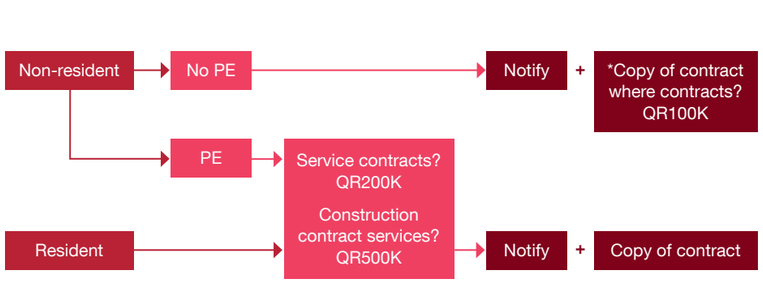
9. *Other Miscellaneous reformation*

According to the new ITL:

1. An individual who is resident in the Palestinian territories shall be granted a university exemption of NIS 6,000 per annum for spending on their study, their spouse's study or their children's study at a university or community college or institute above high school level. Those who have already received a grant or scholarship will not be eligible for the exemption. Furthermore, the exemption is granted to a maximum of two students in each year, and can only be provided to one spouse, not both.
2. The deadline for submission of oppositions, whether on the modified self-declaration by the taxpayer or the assessed administrative decision, is within 30 days of the date of the notice of assessment, regardless of whether the objection is to the Income Tax Department or to the Court.
3. If the taxpayer does not apply for an exemption provided by law within three months of the end of the year, the assessment is then considered final. (Based on the old law, the period was four months).
4. The minimum fine for a delay in submitting the self-declaration of tax is NIS 300 for individuals and NIS 3,000 for corporates.
5. In addition to banks, the new ITL gives specialised lending companies the right to calculate tax on interest and commissions onto the doubtful debts in the year of receipt, in accordance with instructions issued by the Minister of Finance, and not on the principle of maturity basis.
6. According to the old income tax law the income of the blind or those that have a disability of more than 50 percent, are exempt from tax if the amounts are earned through manual work [manual work was the term used in the old law, presumably for self-employment] or employment. According to the new ITL, such income will be exempted from this category only if earned from employment.
7. The new ITL expressly states that it is possible to deduct Murabaha's expenses incurred in earning income.
8. The new ITL has amended the amount of hospitality expenses that are deductable for the calculation of taxable income as follows:
   Hospitality expenses in not more than 1 percent of total income, or
   - NIS 300,000 per year for public companies, or
   - NIS 150,000 per year for any other taxpayer, whichever is lowest.
9. There will be a reduction of allowable deductable expenses for the calculation of taxable income, which is calculated with respect to the branches' share of the principal's expenditure located outside Palestine. The reduction will be up to 2 percent of the total taxable income of branches in Palestine. This down from 5 percent as per the old law.
10. In addition to banks, specialised lending companies will be allowed to deduct debts, interest and commissions in accordance with instructions issued by the Minister of Finance.
11. The new ITL prohibits the following deductions for calculating taxable income:
    A. Amounts paid as income tax
    B. Capital expenditure
    C. Salaries and wages or any other amount subject to tax, unless the taxes have been deducted and paid to the Income Tax Department
    D. Losses resulting from the revaluation of assets
    E. Fines
12. There is a change to the exemption amount given to individuals who are resident, for buying or building a house. The exemption will either be a NIS 30,000 one-time only amount, or it will be the amount of actual interest paid for a bank loan, lending institution or housing enterprise for the purchase of a house, subject to a maximum of NIS 4,000 per annum for a period not exceeding 10 years.

Circular No. 3/2011

The Ministry of Economy and Finance issued Circular No. 3/2011 on 19 June 2011, to Government bodies, public authorities and corporations. The Circular made three observations. The first being that Withholding Tax ("WHT") obligations will still apply to entities addressed in the Circular in the event payments are made to non-residents who do not hold a valid tax card. Secondly, such entities must comply with notification obligations as outlined in the income tax law and detailed further in the executive regulations (see below).



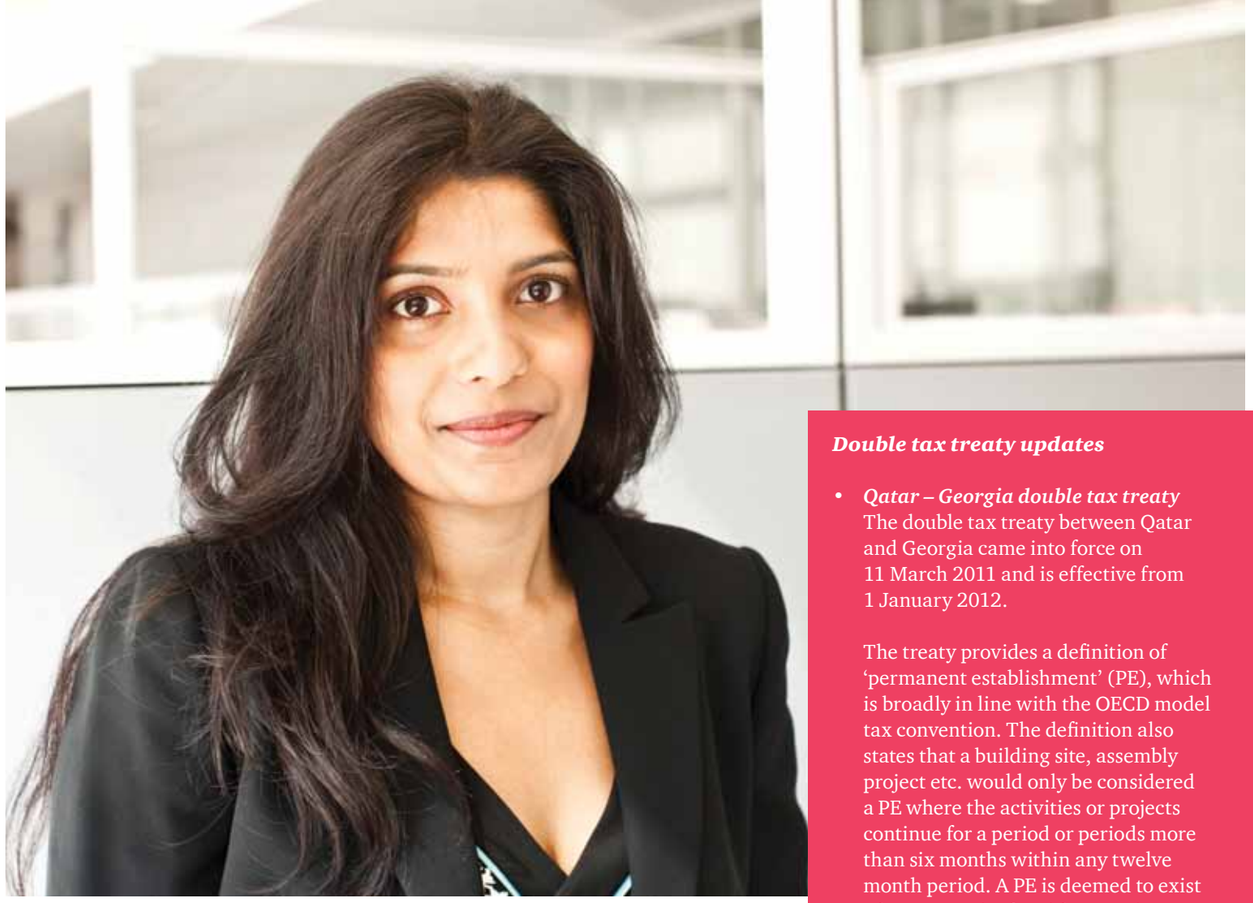
* The tax authorities may opt to request a copy of the contract at any time

Lastly, the Circular confirms that Government bodies, public authorities and corporations need to obtain written approval from the Ministry of Economy and Finance before a tax exemption is provided for in a contract or where a contract includes a 'gross-up' clause.

Circular No. 4/2011

A further Circular was issued by the Ministry of Economy and Finance on 11 August 2011 confirming that a company that is resident in Qatar, wholly owned by Qatari or GCC nationals and exempt from income tax, is still required to file tax returns with audited financial statements. This applies only to companies that have capital of at least QAR 2m or annual revenue of at least QAR 10m.

Such companies with an accounting period ending during the year to 31 December 2010 will be allowed an eight month extension to the statutory filing deadline (four months after the year end). The normal filing deadline with apply for accounting periods ending during the year to 31 December 2011.



QFC transfer pricing and thin capitalisation update

The Qatar Financial Centre ("QFC") recently provided an update on how they have applied their transfer pricing and thin capitalisation provisions to date and how they will apply them in the future. They confirmed that several advance rulings have been given on cost-plus methodology for determining 'arms length' pricing.

The QFC have stated that they intend to shortly issue a Practice Note in regard to thin capitalisation (basically the situation where a company has excessive interest bearing debt). Their general approach will be to accept debt to equity ratios of 1:1 and challenge debt to equity ratios of greater than 3:1. The prospect of challenge for anything in between will depend on the circumstances. The QFC have also said that they accept that financial institutions may have a higher debt to equity ratio than non-financial institutions. Submissions can be made on these issues.

Double tax treaty updates

- ***Qatar – Georgia double tax treaty***
  The double tax treaty between Qatar and Georgia came into force on 11 March 2011 and is effective from 1 January 2012.

  The treaty provides a definition of 'permanent establishment' (PE), which is broadly in line with the OECD model tax convention. The definition also states that a building site, assembly project etc. would only be considered a PE where the activities or projects continue for a period or periods more than six months within any twelve month period. A PE is deemed to exist where an entity furnishes services through employees or other personnel and these services are provided within a period or periods aggregating more than six months in any twelve month period. The definition also provides certain exclusions.

  The treaty reduces WHT on dividends, interest and royalties to zero percent. The domestic Georgian rate applicable to dividends and interest is 5 percent (dividend WHT reducing to 3 percent on 1 January 2013 and interest WHT reducing to 0 percent on 1 January 2014) and royalties are subject to 15 percent.

- ***Qatar – Panama double tax treaty***
  The double tax treaty between Qatar and Panama came into force on 5 May 2011 and is effective from 1 January 2012.

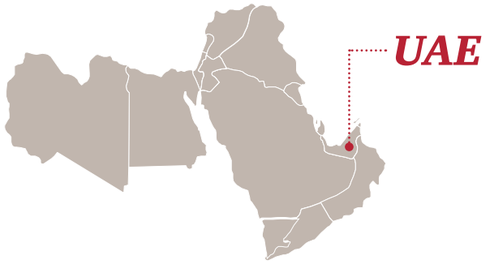
  The provisions of the treaty are broadly similar to that negotiated with Georgia above. The treaty restricts WHT on dividends, interest and royalties to 6 percent, consequently limited relief will be available for payments made from Qatar. No interest WHT will apply where the beneficial owner of the interest is a Government, political division or a local authority as prescribed in the treaty. The domestic Panamanian WHT rates applicable to dividends vary between 5 and 20 percent. WHT on interest and royalties is 12.5 percent.

  The double tax treaty also provides exemptions to capital gains derived from the disposal of shares and immovable property, providing certain conditions are met.

- ***Qatar – Serbia double tax treaty***
  The double tax treaty between Qatar and Serbia came into force on 9 October 2009 and is effective from 1 January 2011.

  The provisions of the treaty are broadly similar to that negotiated with Georgia and Panama above. The treaty restricts WHT on dividends to 5 percent where the beneficial owner holds at least 25 percent of the capital of the company receiving the dividends, or 10 percent in all other cases. WHT on interest is restricted to 10 percent (exemption applies to Government, a political division or a local authority recipients). WHT on royalties is restricted to 10 percent. Given that the highest rate of Qatar WHT is 7 percent, the treaty does not further reduce the WHT rate.

- ***Other treaties***
  A number of other treaties have been ratified. These include treaties with Albania, Eritrea and Portugal.



Double tax treaty updates

- ***UAE – Bangladesh double tax treaty***
  The Bangladeshi government on 13 June 2011 approved Bangladesh's pending income tax treaty with the UAE. The UAE and Bangladesh signed a double tax treaty in Abu Dhabi on 17 January 2011. The treaty will enter into force after each country has completed and notified the other of the completion of its ratification procedures and its provisions.

- ***UAE – Venezuela double tax treaty***
  The double tax treaty signed between the UAE and Venezuela entered into force on 20 June 2011. Its provisions will apply from 1 January 2012. The treaty was signed in Caracas on 11 December 2010 and provides that dividends are taxable at a maximum rate of 5 percent if the beneficial owner is a company (other than a partnership) that directly controls at least 10 percent of the capital of the payer company. A 10 percent rate applies in other cases. Interest, royalties, and fees for technical fees are taxable at a maximum rate of 10 percent. Both countries use the credit method to eliminate double taxation. This is the first income tax treaty that UAE has signed with a Latin American country.

- ***UAE – Cyprus double tax treaty***
  The UAE government, on 28 June 2011, approved the pending income tax treaty with Cyprus. The treaty was signed in Abu Dhabi on 27 February 2011, and under the treaty withholding tax on dividends, interest, and royalties remitted to a non-resident entity is limited to 0 percent. The treaty will enter into force after each country has completed and notified the other of the completion of its ratification procedures and its provisions.

- ***UAE – Germany double tax treaty***
  The (new) UAE and Germany double tax treaty that was signed on 1 July 2010, entered into force on 14 July 2011, and its provisions apply retroactively from 1 January 2009. Under the treaty, withholding tax on cross border dividends are generally limited to 5 percent if the beneficial owner is a company that directly holds at least 10 percent of the capital of the distributing company; or 15 percent if the distributing company is a real estate investment company tax exempt regarding all or parts of its profits or if it can deduct the distributions in determining its profits; or 10 percent in all other cases. On the other hand, withholding tax on cross-border royalty payments is limited to 10 percent and interest is only taxable in the State where the recipient is a resident. This treaty replaces the (old) UAE – Germany double tax treaty and protocol of 9 April 1995 that had ceased to exist as of 1 January 2009.

- ***UAE – Ireland double tax treaty***
  The Ireland and UAE double tax treaty entered into force on 6 February 2011 and generally applies retroactively from 1 January 2011. Its shipping and air transport provisions apply from 12 June 2009. The tax treaty and protocol was signed on 1 July 2010, under which withholding tax on dividends, interest, and royalties remitted to a non-resident entity is limited to 0 percent.

- ***UAE – Switzerland double tax treaty***
  The UAE and Switzerland formally signed a double tax treaty on 6 October 2011 in Dubai (their negotiations were held in September 2010). Under the tax treaty, dividend payments to the other contracting state or state institutions (e.g. sovereign funds), as well as to pension funds are only taxed in the other state, where recipient is resident. Withholding tax on dividends is limited to 5 percent where beneficial owner is a company that holds a stake of at least 10 percent in the company making the payment, and of 15 percent in all other cases. Interest and royalty payments will be taxed only in the state of residence. The treaty also has provisions on the exchange of information.

- ***UAE – Georgia double tax treaty***
  The UAE and Georgia double tax treaty entered into force on 28 April 2011 and its provisions will apply from 1 January 2012. This treaty was signed on 25 November 2010, and under the treaty, withholding tax on dividends, interest, and royalties remitted to a non-resident entity is limited to 0 percent.

- ***UAE – Kenya double tax treaty***
  The UAE and Kenya signed a double tax treaty in Abu Dhabi on 21 November 2011. Further details of this tax treaty are not yet available.

- ***Other agreements***
  The UAE signed a number of air services/transport agreements during the second half of 2011. We note that representatives from Panama and the UAE signed an air services tax agreement on 23 September 2011 in Panama City. Further, officials from Montenegro and the UAE signed an air transport agreement on October 8 in Podgorica. Finally, representatives from Albania and the UAE signed an air services tax agreement on 1 November 2011 in Abu Dhabi.

United Kingdom

International Assignment Services (IAS) Update

Home Country Individual Income Tax

Most countries do not continue to tax their citizens once tax residency has been broken. Generally an individual breaks tax residency from their home country by remaining outside the country for a fixed amount of time. If the family remains in the home country or assets (such as a home) are retained in the home country tax residency may not be broken. Every country has different rules regarding tax residency and everyone's facts and circumstances are different. Therefore it is important that an individual fully understands whether they have a continuing individual income tax filing obligation in their home country.

Opposite is an overview of the United Kingdom and on Page 34 is an overview of the United States.

United Kingdom

The UK taxes individuals based on their residency and domicile status. Once an individual is able to break residency from the UK the individual will usually only be taxed on UK source income.

There is a non statutory exemption for individuals who leave the UK to work abroad in full time employment or self-employment which will normally treat them as not resident and not ordinarily resident in the UK from the day after departure provided the following conditions are met:

- The absence from the UK and the full time employment/self-employment abroad must last for at least a whole tax year; and
- During the absence, visits to the UK must be less than 183 days in any tax year and less than 91 days on average (calculated over a period of up to four years).

Days of arrival in and departure from the UK were previously ignored when applying this test, but from 6 April 2008 a day in which a person is present in the UK at midnight will normally count as a day of residence in determining whether the 91 day rule is met.

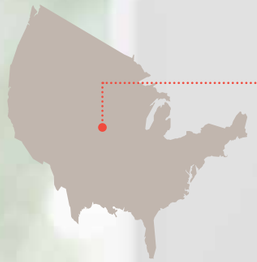
It is becoming more difficult to break UK residence for tax purposes. The rules described above where an individual not living in the UK for a certain period of time or limiting visits to the UK can no longer be relied upon. HM Revenue & Customs (HMRC) now need to see a definite break from the UK to show that an individual has become non UK resident. As an example, this would include selling or renting out the UK property and not leaving immediate family or business activities back in the UK.

The first challenge is proving that an individual has left the UK in the first place, and that he/she is leaving the UK for a 'settled purpose'. HM Revenue and Customs has not yet defined what they regard as 'working full time overseas', however, ensuring there are no ongoing UK business responsibilities should help in guaranteeing that the individual remains outside of the scope of UK taxation.

Days back in the UK must be managed effectively. Any more than 20 workdays per year spent back in the UK per year may bring back a person into the scope of UK residence for the entire period of leave.

More than 90 days per year for any purpose on average back in the UK would also mean you remain resident in the UK. For the majority of people leaving the UK to work on a full time basis abroad with no work commitments back in the UK, breaking residency from the UK should not be a complicated affair. However, as HMRC continues to examine the residency rules specific advice should be sought before departure from the UK. HMRC have just finished a consultation period and the outcome of the consultation period is expected in the very near future.

A number of changes are expected and the expectation is that it will become more difficult to break residency from the UK. We are also expecting clear guidance as to what actually constitutes a workday.



United States

Individual Income Tax Return

The United States (US) taxes their citizens on the basis of citizenship rather than residency.

US Citizens and Green Card Holders (GCH) are taxed on their worldwide income no matter where they are living and working in the world. Therefore, a US citizen or GCH are required to file an annual individual income tax return with the Internal Revenue Service (IRS) reporting the income earned during the year and to claim certain deductions and exclusions which they may be entitled to claim. Many individuals mistakenly believe that they are not required to file an annual tax return if they work outside the US.

The IRS considers not just base salary but also any foreign allowances such as housing, dependent education, home leave airfare, overseas premium or cost of living, etc., to be taxable compensation. Even if the company pays an expense directly to a third party for the benefit of the employee, such as dependent education, the IRS would consider the amount paid to be additional compensation.

Other forms of income, whether earned from US or foreign sources are also required to be reported on the annual tax return. These other forms of income include interest or dividend income, rental income, retirement income, income from partnerships or personal businesses, etc.

There are exclusions available which can decrease the tax liability but certain requirements need to be fulfilled in order to claim the exclusions. If married, both spouses may be eligible to claim the foreign exclusions. The IRS may disallow these foreign exclusions if a proper election is not made on a timely filed return. An individual has an obligation to file an annual US tax return even if they earn less than the foreign earned income exclusion for the year.

State tax filing obligations vary from state to state. Individuals may still be required to file a state tax return even while residing overseas. Whether an individual is required to continue to file a state return is determined by their specific facts and circumstances. Additionally, not all states allow the federal foreign earned income exclusion which means 100 percent of the income earned outside the US may be liable to state taxation.

New for 2011

In late December 2010 Congress extended a number of tax cuts that had been set to expire. The top tax rate will remain at 35 percent increasing in 2013 to 39.6 percent. The maximum 15 percent long-term capital gains rate and qualified dividend tax rate will also continue until the end of 2012.

Social Security withholding was reduced by 2 percent for 2011. The employees' portion of Social Security taxes was reduced to 4.2 percent from 6.2 percent while the employer portion remained unchanged at 6.2 percent.

Gain on the sale of a main home or primary residence is no longer excludable if allocable to periods of non-qualified use, specifically when neither you nor your spouse/former spouse used it as a main home.

New for 2012

Due to inflation many tax benefits have increased for 2012. The most notable include the foreign earned income exclusion which has increased to $95,100 ($92,900 in 2011), the 401(k) contribution limit has increased to $17,000 ($16,500 for 2011), the personal exemption has increased $100 to $3,800, the standard deduction and tax-bracket thresholds have increased for each filing status.

Foreign Bank Account Reporting

In addition to federal and state filing requirements, foreign bank and securities accounts may have to be reported to the US Treasury Department depending upon the aggregate value of the accounts during the year. There are no extensions to filing this report and the penalties for non filing range from $10,000 to criminal penalties.

This requirement also applies to individuals who have signatory authority over a foreign bank account such as an officer in a company that has signatory authority over a company bank account. This report should be received by the US Treasury Department by 30 June each year.

Beginning for 2012, a new IRS form (Form 8938) will be required to be attached to the individual tax return to disclose foreign assets where the total combined value of all foreign assets exceed $50,000. This form will be in addition to the Foreign Bank Account Reporting form that requires the disclosure of all financial accounts that exceed $10,000, in aggregate.

Australia

International Tax Update

International Dealings Schedule

In a strategic move by the Commissioner of Taxation to assess risk up-front and allocate resources more effectively in relation to key compliance areas such as transfer pricing, cross border arbitrage and tax haven activity, the Australian Taxation Office have released the final instructions to the International Dealings Schedule – Financial Services (IDS-FS) for the 2011 income year.

The IDS-FS forms part of the Australian income tax return and requires financial services taxpayers to disclose certain information about their cross-border transactions. It replaces the existing Schedule 25A and Thin Capitalisation schedules, but also requires additional information to be provided.

While the impacted taxpayers for the 2011 income year are broadly restricted to financial services entities (excluding superannuation funds) with a gross turnover of A$ 250m or more on their previous income tax return, general and life insurance entities and foreign banks and foreign bank branches, the Commissioner of Taxation expects that an IDS will be mandatory for all taxpayers for the 2011-2012 income year onwards.

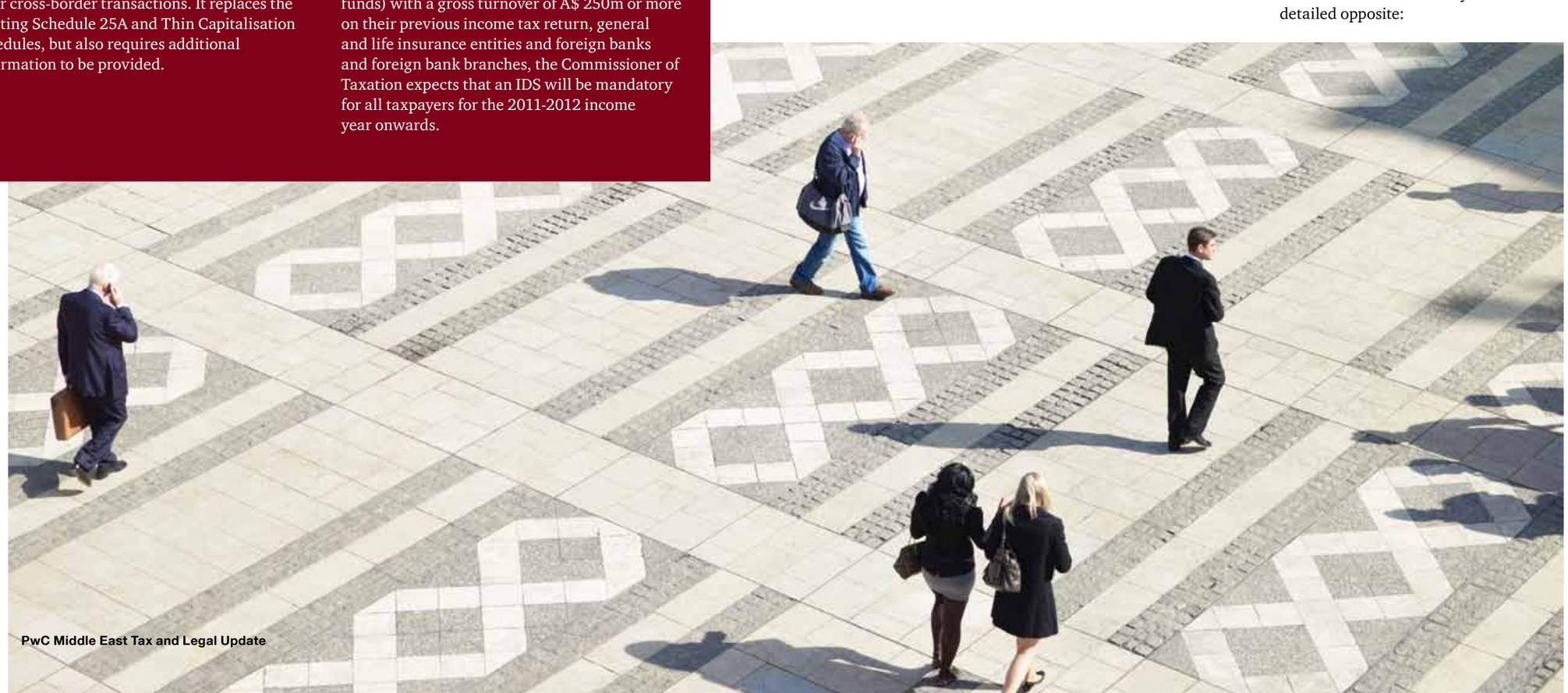
Brazil

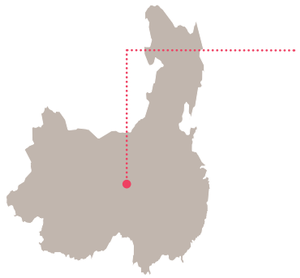
Government Announces Measures to Stimulate Exports and Local Manufacture of Goods

In early August, the Brazilian Government announced several measures aiming to benefit local manufacturers and exporters of goods and services.

This includes incentives to increase financing lines; reduction of payroll costs in some industry sectors; cash refunds for exporters based on export revenue; cash refunds of PIS/Cofins credits; and excise tax (IPI) reductions, among others. While the relevant legislative provisions constituting the incentives have been issued, most are still subject to regulation by normative acts. The measures already in effect are detailed opposite:

- PIS/Cofins credits on the value of new capital assets may now be offset at gradually reduced rates, which allowed for a 1 November offset for goods acquired in August 2011 to a full offset for goods acquired from July 2012.
- Companies which qualify for the Government's digital inclusion programme are exempted from income tax. Further, costs incurred in scientific research conducted in private, non-profit, qualifying institutions are now deductible for calculating the profit and social contribution (CSLL) tax base.
- From December 2011 to December 2012, payroll costs are to be reduced in certain industries including IT, clothing, leather, footwear and furniture manufacturers. In place of the current employer contributions to social security (20 percent on payroll), a fixed rate of 1.5 percent (2.5 percent for IT services) will apply over the companies' gross revenue. As a disincentive to imports of the aforementioned goods, the rate of Cofins on import has been increased from 7.6 to 9.1 percent.





China

China's Indirect Tax Regime Reform

In connection with the Chinese government's efforts to rectify the perceived inefficiencies of the existing indirect tax system, the State Administration of Taxation ("SAT") and the Ministry of Finance ("MoF") have announced a trial run for indirect tax reform in Shanghai.

The proposed Shanghai pilot program, the government will gradually expand the scope of Value Added Tax (VAT) to include industries that are currently subject to Business Tax (BT). The pilot program will be effective from 1 January 2012.

- *Covered industries:* The program will apply the VAT rules to the transportation industry and some modern service industries in Shanghai. Eventually, the program will expand to those industries country-wide.

- *Range of VAT rates:* In addition to the current 17 percent and 13 percent VAT rates, two additional VAT rates, 11 percent and 6 percent, will be added to the pilot program.

- *Credit mechanism:* The pilot industries that will be subject to VAT will be entitled to an input credit.

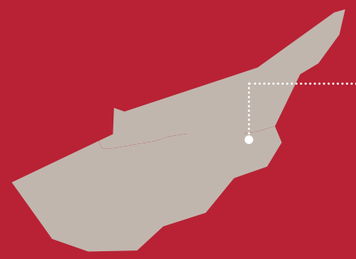
- *Continuity of existing preferential BT treatments:* BT incentives for the Pilot Industries may continue but will be adjusted according to VAT.

The transformation from BT to VAT could impact not only service industry companies but also the companies buying services in their value chain. Some impacts of the proposed changes are:

- This change will likely reduce the indirect tax liabilities for BT payers in the Pilot Industries (e.g., service providers). The input VAT incurred will now be creditable and the BT which they previously had to pay will become VAT which they will collect from their customers. This change would impact the service providers' Profit and Loss Account as theoretically BT should no longer appear as cost of sales.
- For the service providers' customers, who will also become the VAT payers, this may be a welcome change as the VAT paid is now creditable, while previously the BT paid was not creditable against the output VAT. However, this may not always be the case; for instance, currently there is a 7 percent deemed input VAT credit for transportation services where there is a valid transportation BT invoice. The creditable VAT under the pilot program could be less. On the other hand, if the customer is a BT payer, VAT charged by such service providers may be an additional cost to the customer (comparing the new VAT rates of 11 percent and 6 percent against BT rates of 3 percent and 5 percent).
- Even though the Pilot Program will only be implemented in Shanghai, those BT payers in the Pilot Industries will inevitably have business dealings with customers

and suppliers in other provinces. The impact of the Pilot Program to non-Shanghai customers is currently not known.
- The main implications for the Pilot Program participants is the likely change to their operational systems in order to capture all information required for VAT compliance purposes Companies will need to consider how to collect the necessary information from customers to issue VAT invoices; when and how to issue VAT invoices and credit notes; how to report and account for VAT; whether their ERP systems generate the necessary information for VAT compliance such as staff training or how to handle existing contracts.

Preparing for the transformation requires considerations of commercial, operational and technical issues. With fewer than three months remaining, companies should consider these and other issues.



Cyprus

Recent tax developments to attract foreign investment

The Cyprus government has enacted the following tax legislation to attract and retain foreign investment:

- Deemed Dividend Distribution (DDD) provisions will not apply to Cyprus companies ultimately held by foreign investors.
- Related party financing transactions now have certainty with regard to minimum spreads.

1. ***Deemed Distribution Provisions***
In order to enhance Cyprus' attractiveness as a financial centre, the Commissioner of Income Tax (CIT) issued a Circular on 13 September 2011, clarifying that Cyprus resident companies ultimately held by foreign shareholders will not fall within the DDD provisions.

Under the DDD rules, 70 percent of net accounting profit as adjusted for DDD purposes, retained two years after the end of the tax year during which profits were derived, are deemed to have been distributed to the shareholders of the Cyprus-resident company. In these cases, Special Defence Contribution (SDC) applies to the deemed dividend.

As part of this new development, the directors and auditors of Cyprus-resident companies are required to declare that 100 percent of the Cyprus company's shares are directly and/or indirectly held by foreign residents.

This development eliminates certain administrative burdens:
- The need for actual dividend distributions in two-tier (or more) Cyprus structures ultimately owned by foreign-resident shareholders. This would have been necessary to manage DDD implications.
- Claiming refunds by the ultimate foreign resident shareholder if SDC had previously been paid on profits distributed as dividends.

Note that where some or all of the ultimate and/or immediate shareholders of a company are resident in Cyprus for tax purposes, the DDD provisions will still apply to the extent that the company does not distribute at least 70 percent of its profits (as adjusted for DDD purposes) to its immediate shareholder(s) within two years from the end of the year during which such profits are derived.

2. Related-party financing: certainty in relation to arm's length interest spreads.

On 14 July 2011, the Institute of Certified Public Accountants of Cyprus ("ICPAC") announced that the CIT accepted specific minimum spreads for related-party financing transactions. The parameters detailed below are in line with the provisions of Article 33 of the Income Tax Law concerning arm's length conditions for related-party transactions. With this development, Cyprus seeks to maintain and attract related party financing transactions.

Minimum acceptable spreads
From fiscal year 2008 onwards, the following minimum spreads will apply to interest-bearing loans:

Amount of loan	Spread
< €50 million	0.35 percent
€50 million-€200 million	0.25 percent
> €200 million	0.125 percent

For non-interest-bearing loans, the spread is 0.35 percent, irrespective of the amount of the loan.

For fiscal years between 2003 and 2007, the minimum spread is 0.30 percent, irrespective of the loan amount, or whether or not it is interest-bearing.

Calculation of the spread
The minimum acceptable spreads are calculated after deduction of all expenses directly or indirectly related to the financing transaction. Any foreign exchange differences (realised or unrealised) should not be included in the taxable profit calculation of the Cypriot company.

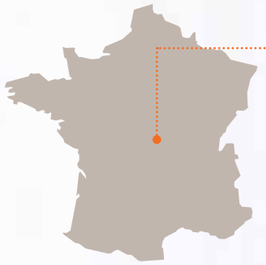
Loan receivables that are written-off cannot be deducted from the taxable profits of the Cypriot company and likewise, loans payable that are waived will not be included in taxable profits.

Application of the above spreads
The above spreads can apply where:

- A Cypriot tax resident company borrows from a related party and uses the funds to on-lend to another related party within a six month period. The funds borrowed and on-lent by the Cypriot company may be interest-free or interest-bearing.
- The Cypriot company obtains one loan in order to finance a number of loans or where the Cypriot company obtains a number of loans in order to finance a single loan.
- The Cypriot company obtains a bank loan (subject to guarantees from another company in the same group) to on-lend to its related parties. Subject to certain conditions, the spread may also apply in cases where credit instruments other than loans are used.

The spreads apply to each separate financing transaction. This development presents an opportunity for taxpayers to review their financing arrangements and benefit from the certainty offered.

Following this review, taxpayers may wish to apply for written confirmation (ruling) from the CIT for specific financing transactions.



France

The Amended Finance Act for 2011

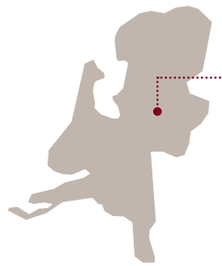
The Amended Finance Act for 2011 was voted in after an unusually quick legislative process in September 2011, which introduced significant changes to the treatment of losses and capital gains on shares in France. It contains two main measures for companies:

1. ***Carry-forward and carry-back of tax losses***
   A company or French tax group will still be entitled to carry forward tax losses with no time limitation. However, converse to the existing regime, tax loss carry-forward will only be available for offset up to EUR 1 million plus 60 percent of the current taxable income exceeding that amount. Accordingly, companies/French tax groups with annual profits of more than EUR 1 million will be subject to tax on 40 percent of their profits exceeding EUR 1 million even if they still have tax losses carried forward.

   Under this new provision, tax losses will now only be available to carry-back to the fiscal year immediately preceding that in which the losses arose, and up to a maximum amount of EUR 1 million. In addition, the elective filing rules have been amended.

   The above new rules will be applicable to fiscal years ending after September 2011.

2. ***French capital gains participation exemption regime***
   The French participation exemption in respect of capital gains has been reduced from 95 percent exemption to 90 percent. This change in the rules will be applicable to gains realised in fiscal years commencing 1 January 2011 onwards. Based on the standard French corporate income tax rate of 34.43 percent, this will result in an effective tax rate on such gains of 3.44 percent.



Netherlands

Dutch Tax Package 2012

On 15 September 2011, the Dutch government published their 2012 tax package, which reflects the government's policy to provide for a solid and simple tax environment.

Restriction on the deduction of interest on acquisition debt in a fiscal unity
The government has proposed to implement a measure by which the deduction of interest on acquisition debt will be restricted if a Dutch company is acquired by a Dutch holding company with which it subsequently joins in a fiscal unity. This measure equally applies if an existing participation is increased. The restriction applies to interest related to the debt used to finance the acquisition. The proposed measure will be applied to related party debt as well as third party debt (e.g. bank debt).

Dividend Tax for some co-ops
The Tax Package proposes to make co-ops withholding agents for dividend tax purposes, under certain circumstances. In that case, the membership right in the co-op will be treated as a share (and not as a profit right, as with the original proposal), which is relevant when applying tax treaties. The measure will apply only to co-ops holding shares with the main purpose of avoiding dividend tax or foreign tax, and the membership rights of the co-op are not part of the co-op member's business capital. This should be tested on a continuous basis, i.e., upon each profit distribution.

Amendment of the regulation regarding foreign entities with a substantial interest
Under certain conditions foreign entities, as well as entities incorporated under Dutch law but resident abroad, that hold an interest of at least 5 percent in a Dutch company (a "substantial interest") can be subject to Dutch corporate tax with respect to income derived from such a substantial interest. This is the case if the interest in the Dutch company cannot be allocated to the business of the foreign shareholder. The Tax Package proposes to make the levy of this tax subject to the condition that the shares in the Dutch company are not held by the foreign shareholder, with the main intention being the avoidance of Dutch personal income tax or dividend withholding tax. If only dividend withholding tax is being avoided, then the corporate income tax rate is reduced to 15 percent.

Object exemption for foreign permanent establishments
Under the current regime losses incurred through a foreign permanent establishment ("PE") can be offset against Dutch profits. If profits are generated through a foreign PE, then these are in principle exempt from Dutch tax, unless in previous years, losses incurred through the PE were offset against Dutch profits. In the 2012 Tax Package it has been proposed to implement an object exemption for results generated through a PE. As a result of this, losses incurred through a foreign PE can no longer be offset against Dutch profits. Profits generated through a foreign PE will be exempt. Under the proposed regulation results generated through a foreign PE should, as is currently the case, initially be included in the tax payer's worldwide profits. Subsequently, the result generated through the PE will be eliminated from the worldwide profits. The proposed legislation will also apply to income derived from foreign real estate.

Deduction for Research & Development costs
In order to encourage innovation, a special deduction for research & development costs (R&D) has been proposed. Whilst the current legislation includes specific measures aimed at stimulating innovation, this concerns the contribution reduction ("afdrachtsvermindering") for wage costs related to R&D in the Dutch Wage Tax Act, and in the Dutch Income Tax Act 2001 – there is a specific deduction for R&D costs for entrepreneurs. The new deduction for R&D costs is calculated as a percentage of the non-wage costs, and investments attributable to R&D is determined by a specific organisation ('Agentschap NL') and laid down in a so-called 'RDA'-decision. The available budget in 2012 for R&D deduction is € 250 million and will be increased to € 500 million in 2014. The R&D deduction percentage for 2012 is expected to be 40 percent.

Extension of dividend tax refund scheme
The scope of the refund scheme for dividend tax will be extended to third countries with whom a sufficient (bilateral or multilateral) agreement on exchange of information exists. This extension applies only for investments where there is no (potential) control over the withholding company ("portfolio investments").
The proposed extension of the refund scheme will apply especially to exempted pension schemes which are established in qualifying third countries.

Amendment of the expat arrangement ('30 percent-facility')
Expatriates (those seconded to another country or who come to work in the Netherlands from another country) who meet certain conditions, will be eligible for a special expense allowance scheme: the '30 percent facility' or ruling. The following amendments are proposed for the expat arrangement. The criterion of 'specific expertise' will be linked to a salary standard (2011: € 50.619) and the reference period will be extended to 25 years. Moreover, employees from the border area (a radius of 150 kilometres from the Dutch border) will be excluded from this arrangement. Also, foreigners under the age of 30 years who, after having obtained a Dutch doctorate are employed in the Netherlands, will qualify for this arrangement. A lower salary standard (2011: € 26.605) will apply to this category of employees.

United Kingdom

Draft Tax Treaty Anti-Avoidance Legislation Withdrawn

Draft legislation was published on August 1, 2011, intended to stop individuals, companies and other persons benefitting from the provisions of a double taxation agreement where the claim is part of an arrangement the main purpose of which is to reduce a liability to UK tax. In response to adverse consultation feedback that the proposals could cause significant uncertainty for UK business and overseas investors into the UK about the availability of treaty benefits, the Government has now decided not to proceed with the draft legislation.

'In response to adverse consultation feedback that the proposals could cause significant uncertainty for UK business and overseas investors'.

United States

On 2 November 2011, the Internal Revenue Service ("IRS") issued the most significant new guidance (the "proposed regulations") in 23 years relating to the U.S. taxation of foreign governments, including sovereign wealth funds ("SWFs") under Section 892 of the U.S. Internal Revenue Code.

In a nutshell, Section 892 provides an exemption from U.S. tax on certain types of U.S.-source investment income (e.g., dividends and interest) derived by foreign governments/local entities controlled by foreign governments. However, the exemption from U.S. taxation does not apply to any income the foreign government derives from the conduct of any commercial activity, to any income received by or from a so-called "controlled commercial entity", and any income derived from the disposition of any interest in a controlled commercial entity.

At the time most of the previous regulations were issued, there were relatively few SWFs in existence and the nature of their investments was generally limited to investments in their own countries' stocks, bonds and real estate with only occasional investments in similar assets outside of their own countries.

Recent years have seen a proliferation of new SWFs and an expansion of cross-border investments by those SWFs as well as other government-owned agencies or entities (including pension funds). In addition, foreign governments have diversified investments into new types of asset classes, including financial instruments (such as derivatives) and private equity funds.

Although these proposed regulations fail to address some foreign governments' concerns and are in some ways less generous than many foreign governments had hoped, they move in a welcome direction in addressing the changes in the financial and investment environments facing foreign governments wishing to invest in the United States. The proposed regulations were expressly promulgated in response to a number of comment letters (including one from PwC) and would:

1. Modify the application of the "controlled commercial entity" standard of Section 892(a)(2)(B), to permit an entity controlled by a foreign government to have a small amount of inadvertent commercial activity without entirely disqualifying such entity from claiming an exemption from U.S. taxation on its investment income under Section 892.
2. Provide that a controlled entity that is not otherwise engaged in commercial activities will not be treated as engaged in commercial activities solely because it holds non-controlling interest as a limited partner in a limited partnership, or an LLC, if that LLC is classified as a partnership for U.S. federal tax purposes, and the holder of the interest does not have rights to participate in the management and conduct of the partnership's business at any time during the taxable year.
3. Clarify that the test of whether a controlled entity is a "controlled entity" should be applied on an annual basis.
4. Provide additional clarification regarding the impact of investments in trading in derivatives and of dispositions of U.S. real property interests on the commercial activity test.

Legal Update

Jordan

As of 16 May 2011, the capital introduction limit for limited liability companies was changed to be not less than one Jordanian Dinar (prior to 16 May 2011 the capital introduction limit was not less than JD 30,000).

Kuwait

The Ministry of Commerce in Kuwait has recently issued Ministerial Order No. 237 of 2011, dated 26 May 2011, to regulate the set up of GCC companies to operate in Kuwait. As per the order, GCC companies are allowed to operate in Kuwait as Kuwaiti companies, provided that such companies are 100 percent owned by GCC nationals.

UAE

Expanding Jurisdiction of DIFC Courts

The Dubai International Financial Centre (DIFC), a financial free zone in the UAE that has its own courts and qualifies as a separate jurisdiction, is implementing some significant changes to its laws and regulations. The DIFC Court is an independent court system set up in September 2004 to uphold the provisions of DIFC laws and regulations. Thus far, the DIFC has been the preferred jurisdiction for international business as it provides the protection of the English language, the common law court system and an internationally renowned bench of judges versed in commercial disputes. The DIFC courts, comprising the Court of First Instance, the Small Claims Tribunal and the Court of Appeal, currently has jurisdiction over civil and commercial matters arising from and within the DIFC.

The DIFC issued a press release on 31 October 2011 that His Highness Sheikh Mohammed bin Rashid Al Maktoum, Ruler of Dubai, signed a Decree which will extend the jurisdiction of the DIFC Court once it has been gazetted and becomes law. Article 5 of new law allows parties to expressly agree in writing to have disputes determined by DIFC Courts. This choice of jurisdiction option is available to businesses in the anywhere in the world, not just in the UAE.

The expansion of the reach of the DIFC Courts will lend confidence to international businesses in the region as they can now take comfort in the fact that the choice of law and governing jurisdiction clauses in commercial contracts will be upheld. This takes away the uncertainty of contracts being subject to Sharia law.

Overhaul of DFSA Markets Law

The Dubai Financial Services Authority (DFSA) that regulates the provision of financial services from and within the DIFC is also implementing some changes to their markets law. The Markets Law 2004 is set to be replaced with the Markets Law 2011, and the Offered Securities Rules is set to be replaced with the Markets Rules. The new draft rules that are expected to come into force in 2012 are based on the European model of offering securities where there is a general prohibition on financial promotion and offering securities, unless the activity falls within certain exemptions. The new system appears to be much more sophisticated and will make the markets in the UAE more attractive to businesses.

Developing Corporate Governance in Dubai

Small and Medium Enterprises (SME) in Dubai can now avail of a Corporate Governance Code that was launched by the Mohammed Bin Rashid Establishment for SME Development. A collaboration between the Mohammed Bin Rashid Establishment and Hawkamah, the regional Corporate Governance Institute, resulted in this Code that suggests recommendations and best practice for SME governance. An SME is a company that has a turnover of less than AED 250 million and less than 250 employees. The majority of companies in Dubai are SMEs and such a framework is a welcome addition to the region. The Code is not mandatory however the existence of such guidelines will make investing in the region much more attractive to international businesses.

Amendments to Omani Publication Law

The Law of Publications and Publishing is being amended by the Royal Decree No. 95/2011 issued by His Majesty Sultan Qaboos. The amended law prohibits publishing anything that may prejudice the safety of the state or its internal or external security. This includes, among other things, publishing any material that relates to military or security apparatuses or official secrets. The amended law also prohibits publishing wordings of any treaties or agreements relating to the government until they are gazetted and made law.

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