cutting through complexity

MENASA Tax Guide 2014-15

TAX







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Introduction

Welcome to the **2014–15 e-Edition of KPMG Middle East, North Africa and South Asia ('MENASA') Tax Guide.** This Guide is part of Regional Thought Leadership publications of KPMG, all of which are available online on kpmg.com and on our KPMG Global Tax app.

MENASA is a diverse and rapidly growing Region. Stretching from Morocco to Bangladesh, each constituent country has its own distinct characteristic, investor image and global outlook. These variations are also widely demonstrated in the cultural, economic and financial stance taken by each of the countries.

As Governments continue to reform their regulatory framework, we think that a publication such as this, covering 19 countries, is very helpful in providing a summary of key regulations governing investments and businesses of corporates operating in these countries.

While a few constituent economies are outliers owing to their current socio-political environment, there are many common themes emerging from the tax and regulatory landscape of the Region. Some of these are:

- Investor fraternity continuing to believe in the economic potential of the Region.
- Economies projecting themselves in positive light to boost trade, investments and attract foreign capital.
- Fiscal deficit/surplus position influencing tax policies.
- Governments realizing the need to simplify procedural formalities and enhance the efficiency of administrative machinery.
- Businesses readying themselves to embrace the cascading impact of global developments, such as Base Erosion and Profit Shifting ('BEPS') and Foreign Account Tax Compliance Act ('FATCA').
- Economies acknowledging the interdependence on other countries, within the Region, as well as globally – depicted by widening tax treaty network and bilateral trade agreements.

In this Guide we have summarized the framework of doing business in each of the countries and identified key tax provisions and regulatory modalities which need due consideration by corporates operating in the MENASA Region. The reader can navigate to the relevant country and review its distinct features.

At KPMG, one of our perpetual key priorities is to assist our member firm clients in understanding and adapting to the rapid changes in the tax and regulatory landscape, identify key risks and opportunities, with a view to help enhance business efficiencies. Our aim is to cut through the complexity of new commercial, economic and fiscal realities and deliver practical ideas with a forward-thinking approach, to help you position your business for future success.

We hope you find this publication useful. We will be happy to deliberate further on any particular country or regulation. You can reach out to us at the contact details given below or the concerned country contact.

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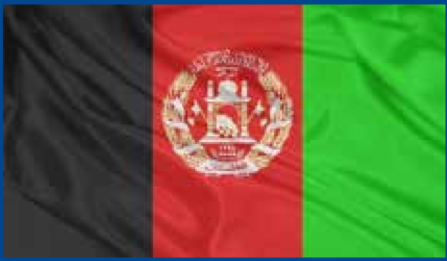

Afghanistan

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Regulatory/Legal

Setting up business

Under the Corporation and Limited Liability Company Law, business cannot be transacted or advertised in Afghanistan as a corporation or limited liability company unless a business license is obtained from the relevant registering authority.

Banks, Media companies and Hotels have additional requirements of registration with the Central Bank, Ministry of Information & Culture, and the Tourism Department, respectively.

Commonly used business entities

Business entities may be registered as:

- Corporation (Joint Stock Company)
- Limited Liability Company
- Partnership (Firm with unlimited liability of partners)
- Individual (Sole proprietorship)
- Branch office of the foreign entity

Main legal formalities for the formation of a company or registration of a branch

Trading companies are registered with the Ministry of Commerce whereas all other business entities are required to be registered with the Afghanistan Central Registry through Afghan Investment Support Agency (AISA).

A Branch of a foreign company is registered in the same status i.e. branch of the foreign company.

The requirements for registration of a corporation, limited liability company and branch office are:

- Minimum two shareholders (not required for branch office)
- Nomination of President and Vice President
- Photographs and passports/Tazkira photocopies
- Lease agreement
- Business plan
- Filing prescribed forms

For registration of a foreign company, in addition to the normal formalities, an introductory letter from the Embassy of Country of origin; routed through Ministry of Foreign Affairs, Afghanistan would be required.

Currency/monetary restrictions

There are no restrictions on the movement of foreign currency. The transfer of money should however be supported by invoice or some other evidence.

Regulatory requirements for Financial Services

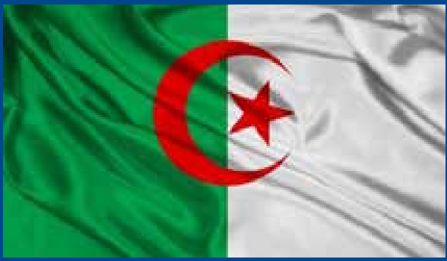
Financial Services are regulated under the Afghanistan Banking Law and Regulations are issued by the Central Bank, from time to time.

Accounting/Finance for companies and branches of foreign companies

Financial statements	Financial Institutions and banks are required to prepare financial statements according to International Financial Reporting Standards. No such mandatory requirement for others entities.
Audit requirements	Financial Institutions and banks are required to conduct external audit. No such mandatory requirement for others entities.
Requirements for foreign investors	There are no additional requirements for foreign investors.
Book year/accounting currency	The fiscal year of Afghanistan starts from 21st December and ends on 20th December of the following year. The official currency is Afghani; however records are maintained in foreign currency by most of the entities.
Format	There is no prescribed format for financial statements. However the Format under International Financial Reporting Standards may be adopted.

Tax

Approval requirements	No specific requirement for approval exists in the Income Tax Law. However, according to the prevailing procedures, taxpayers are required to be registered in Large Taxpayers' Office (LTO), Medium Taxpayers' Office (MTO) or Small Taxpayers' Office (STO), according to their size of capital and revenue.
Advance tax rulings/Advance pricing agreements (APA)	Income tax law permits an applicant to apply for private ruling under defined circumstances.
Income tax compliance	Taxpayers are required to file their income tax return in the relevant tax office within three months from the end of the tax reporting year. Tax losses of the entities registered with Afghanistan Investment Support Agency (AISA) are carried forward as a deduction from the taxable income in subsequent years for an unlimited period. Other entities (not registered with AISA) can carry forward losses maximum for three years, one third to be set off each year. Business Receipts tax is chargeable on gross revenue on a quarterly basis payable within 15 days at the end of each quarter. The tax rate varies from 2 percent to 10 percent. Further, taxpayers are required to withhold tax on salaries, interest, dividends, lotteries, gratuities, royalties, bonuses, services, rent, and supply of goods and provision of services and to file the relevant reports to the Afghan Revenue Department containing the details of such payments and the taxes withheld thereon on a monthly basis. The withholding tax rates vary from 2 percent to 20 percent depending on the source of income.
Indirect tax compliance	Value Added Tax (VAT) or General Sales Tax has not been enacted yet.
Other tax compliance	In addition to the above requirements, the employer is also required to prepare and issue to each employee an annual wage and tax withholding statement.
Director's liability to tax	The directors of corporation have a liability limited in proportion to their shares. The director's liability to tax is generally treated at the same rates as the other taxpayers in the country.
Double Taxation Avoidance Agreements (DTAA)	Afghanistan has not yet signed DTAA with any country.
Transfer pricing	Afghanistan has adopted transfer price rules consistent with the Organization for Economic Cooperation and Development's Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (1995).



Algeria

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Regulatory/Legal

Setting up business

Except when specifically required for defined activities (for example, banking, insurance and financial activities, some transportation activities, professional training, etc.) there is no need for specific agreements or a license to operate.

However, following the Supplementary Finance Law for 2009, foreign investments in Algeria are to be registered with the National Investment Development Agency (Agence Nationale pour le Développement de l'Investissement – ANDI) and also seek prior approval of the National Investment Council (Conseil National de l'Investissement – CNI).

Following the rewriting of Article 4bis of the Ruling N° 01-03, introduced by the Finance Act of 2014, for any proposed investment or foreign direct investment or investment in partnership with foreign capital, the examination of the CNI, is no longer required. Examination of CNI is now required only for cases expressly, mentioned by the Ruling N° 01-03. Furthermore, foreign investment must be done only in partnership with Algerian shareholders.

The Finance Law of 2014 introduced the generalization of rule 49-51 percent (partnership with the national resident shareholding of at least 51 percent) on import activities for resale in the same condition (formerly known as foreign trade activities). Earlier the foreign trade activities carried out by physical and legal entities was subject to a partnership with the national resident shareholding was equal at least 30 percent of the share capital.

The following are considered to be investments as per Algerian rules:

- Acquisition of assets which fall within the framework of creation of new activities or which are likely to expand production capacity, or to renovate or restructure manufacturing facilities;
- Participation in the capital of enterprises (in-kind or cash contributions);
- Buyout of activities within a total or partial privatization.

In addition to the above and according to the Supplementary Finance Law of 2010, any change in the pre-2009 registration of a company in the trade register requires to be in full compliance with the 51/49 shareholding structure. This provision is not applicable in the following situations:

- A share capital modification (increase or decrease) which does not result in modification of the shareholding and share capital distribution between the shareholders.
- Removal of an activity or addition of a secondary activity.
- Modification in the nomenclature of the activity.
- Appointment of executive officers of the company.
- Modification of the registered office.
- Further, the Finance Law of 2012 now allows transfer of "guarantee shares" of Directors. More precisely, Article 63 of the Finance Law of 2012 specifies that modifications to a company's trade register pursuant to a "sale or exchange of guarantee shares between former and new Directors, provided for in Article 619 of the Commercial Code" shall not trigger the 49/51 and 70:30 allocation rules, provided that the value of such shares does not exceed 1 percent of the company's share capital.

Commonly used business entities

In accordance with the new rules mentioned above, branches of foreign companies are no longer permitted in Algeria. Therefore, apart from the liaison office, the available form of business entity in Algeria is 'company'.

The two most commonly used types of companies are:

- Joint Stock Company (société par actions - SPA); and
- Limited Liability Company (société à responsabilité limitée - SARL).

Main legal formalities for the formation of a company or registration of a branch

The above mentioned forms of business have different characteristics and requirements, for instance:

- With respect to the number of shareholders (e.g., minimum of 7 shareholders for SPAs);
- Requirement for minimum amount of share capital (100,000 Algerian Dinars for SARLs and 1,000,000 Algerian Dinars for SPAs)
- Management modalities (one or several managers for SARLs; for SPAs a requirement for board of directors or directory and supervisory board);
- Only SPAs can be made public; in such cases additional prescribed conditions must be fulfilled.

It is compulsory to have a registered office for the company. The lease for the registered office must be notarized.

Procedural summary

Once all required documentation has been collated (foreign documents will need to be legalized by the relevant Algerian consulate), the preliminary steps (such as attestation of company name, deposit of start-up capital with the notary public, submitting specimen of managers signature and registered office lease with the notary public) have been fulfilled and the corporate name reserved, the articles of association must be signed in the presence of a notary, who would then proceed to the publication of company constitution in the legal journal notifying formation of the said company.

Registration is also required to be made with the trade register (Centre National du Registre du Commerce - CNRC) and subsequently with the tax administration and the social security administration (CNAS). It should be noted that specific declaration must be made to ANDI and reviewed by CNI prior to importing the share capital, in order to ensure future repatriation of dividends.

Foreign companies coming to Algeria to execute specific services or construction contracts may operate by way of registration with the tax and social security administration, but without the need for a legal entity to be established in the country.

Importation for resale activity

A legal text was published on 23/07/2011 regarding the codes of activities 4XX (Importation for resale) and 5XX (Detail sales), in which, the validity duration of the trade register mentioned the activities codes 4XX and 5XX is two years, which has to be renewed 15 days before the expiration of this period. These codes should be mentioned into a separate trade register.

Currency/monetary restrictions

Foreign exchange rules are important in Algeria and any movement of funds must be made through a commercial bank which is responsible for compliance with existing rules and is also responsible to report such movements to the Central Bank. Specific conditions and formalities exist, for example, for dividends, technical assistance and importation of services.

Dividends cannot be transferred when they are derived from a trading activity but only when they come from a production (of goods or services) activity.

Apart from the share capital, investments in Algeria must be financed locally.

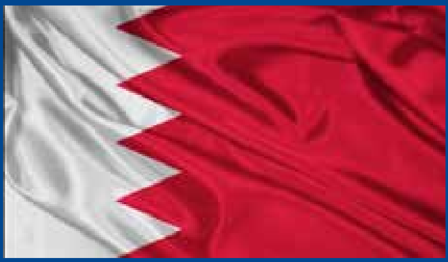
Currency/monetary restrictions (Cont'd)	In accordance with the new Executive Decree No. 13-320, resident company has the possibility to have necessary funding for realization of foreign investment, direct or in partnership with foreign funding without interest, provided the transfer of funds does not exceed three years from the date of receipt of the funds in question. In case it exceeds three years, it will be converted to capital. Central Bank issued implementation regulations in relation to this Decree which states that only those advances are allowed which are intended for financing an investment, and not for exploitation.
Regulatory requirements for Financial Services	Financial services are subject to a specific regulation and are under the authority of the Central Bank and the Credit and Monetary Council (Conseil de la Monnaie et du Crédit – CMC).

Accounting/Finance for companies and branches of foreign companies

Financial statements	All companies must produce annual financial statements, management report and additional appendices. Such financial statements must be published with the CNRC one month after the annual general meeting in which they have been approved and in no case after 31th July. Failing to meet this requirement can lead to a fine of 300,000 Algerian Dinars and being listed on the "swindlers' file" which implies exclusion from all public bids and inability to transfer funds outside Algeria. In addition to the above and according to the Finance Law of 2011, EURL (Entreprise unipersonnelle à responsabilité limitée), the companies which have turnover of less than 10 Million Algerian Dinars need not certify annual financial statements by statutory auditor.
Audit requirements	Currently all companies must have their annual accounts audited by duly registered Algerian auditors. Audit fees are not defined by law.
Requirements for foreign investors	As indicated earlier, foreign investors have certain obligations and requirements that need to be fulfilled, namely, preliminary declaration to ANDI, obtain prior approval of the CNI and requirement for an Algerian national resident to hold 51 percent of the share capital for companies set up after 28th July 2009. Additionally, a pre-emption right that benefits the Algerian state and state owned companies has been introduced with respect to transfer of shares of an Algerian company made to or by foreign shareholders. The new rule provides that the Algerian government must be consulted in advance concerning these share transfers. The purpose of the consultation is to afford the State or Algerian public corporations an opportunity to purchase such shares, through indirect transfer of securities at a price based on conditions to be established by a future regulation. There is no obligation to have resident managers for the company. However, in practice, tax administration requires at least an address in Algeria for the person designated as company's representative and a certain number of procedures require physical presence of such manager.
Book year/accounting currency	Accounts must be presented for a twelve month period which is the calendar year. The first financial year may be extended, upon approval by the tax administration. Books must be kept in Algerian Dinars and a certain requirements must be followed to avoid rejection of the accounts in case of a tax audit.
Format	Starting January 2010, the Algerian accounting rules changed significantly. Both accounting principles and financial statements formats have been harmonized with International Financial Reporting Standards principles. The new system is required for all companies, except for some specified category of companies. The main changes with prior system are the obligation to prepare a cash-flow statement with notes, as part of financial statements; and to book adjustments for leasing, pension provisions, provisions for impairment, deferred taxation etc. Another significant impact will be that companies will no longer be authorized to present significant amounts in extraordinary items.

Tax

Approval requirements	There is no specific approval required for tax purposes. However, all companies must register with the tax administration and obtain a tax identification number.
Advance tax rulings/Advance pricing agreements (APA)	A new regulation has been set to define legal procedures whereby taxpayer may request for a ruling. The new regulation has defined a deadline of four months to receive an answer to ruling requests, after such time the ruling is deemed to be confirmed, till such date when the tax administration confirms its interpretation. This is applicable only for certain category of companies.
Income tax compliance	The annual income statement must be submitted latest by 30th April each year. If the entity has suffered losses, the amount of the deficit must be declared under the same conditions. Starting from 2010, the deficit of a fiscal year is deductible from the profits of subsequent fiscal years up to and including the fourth fiscal year. The freedom to offset losses against profits is given to firms during this four year period; however the firms must post their oldest losses first. The payment of taxes by firms established under Algerian law consists of three instalment payments in March, June and November. Each payment is 30 percent of the previous year's corporate income tax liability. Final tax payments are due by 30 April following the close of the tax year. In the case of newly established corporations, each instalment payment is equal to 30 percent of the tax calculated on the basis of an estimated 5 percent yield on called-up capital. Corporate income tax rate is 25 percent of profits for services or distribution activities, and 19 percent of profits for construction, public works, tourism and production of goods.
Tax on professional activities (TAP)	The TAP is equal to 2 percent on turnover based on overall sales or gross revenues minus taxes. The TAP is a direct tax paid by the individual or the company performing the business. Operations between units of the same enterprise are excluded from the scope of application of the TAP. Separately, importation of service, when authorised, is subject to domicile tax @ 3 percent.
Double Taxation Avoidance Agreements (DTAA)	Algeria's DTAA network widened recently as part of its investment development program and include countries such as Austria, Bahrain, Belgium, Bulgaria, Canada, China, South Korea, Egypt, France, Germany, Iran, Italy, Lebanon, Morocco, Portugal, Romania, Spain Switzerland, Turkey, South Africa, Tunisia, UAE and Yemen.
Transfer pricing	Transfer Pricing provisions are prescribed by Article 141 bis of Algerian direct tax code enacted by finance Act of 2007. Decree of April 2012 describes the supporting transfer pricing documentation which companies must provide to tax authority. This documentation should be submitted to the tax administration with the annual tax return i.e. at the latest the 30th April of each year, for entities registered at the level of the "DGE" (Direction des Grandes Entreprises) (i.e. Division for Large Enterprises) and at the demand of the tax authority for others taxpayers. However, this regulation does not specify the guidelines which a company must follow in pricing of transactions between affiliates and also does not refer explicitly to the Organisation for Economic Co-operation and Development (OECD) principles. The lack of production or incomplete production of this documentation in a timely manner for this purpose leads to application of a fine of 500 000 Algerian Dinars, reintegration of the transferred benefits and a fine of 25 percent of profits transferred under the provisions of Article 141 bis.



Bahrain

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Regulatory/Legal

Setting up business

Bahrain is strategically located in the heart of the Gulf, and has an open commercial environment with highly competitive features, including some of the region's lowest business costs. Bahrain is a proven hub namely for financial institutions that want to operate in the Gulf.

Foreign investment and 100 percent foreign ownership is permitted in general, with a limited number of business activities reserved by law for Bahraini and/or GCC citizens and companies only, such as general trade and retail activities where 51 percent Bahrain participation is required. Numerous Free Trade Agreements (FTAs), including such as with the United States of America and Singapore, enable foreign investors to establish 100 percent ownership. Further exemptions may be approved on a case by case basis.

All companies must be registered with the Ministry of Industry and Commerce (MOIC) to obtain a Company Registration (CR) certificate before commencing business.

Bahrain invests significantly in integrated logistics, business and infrastructure and has a mature regulatory environment. Businesses can be established in the Bahrain International Investment Park (BIIP) and the Bahrain Logistics Zone (BLZ) which is designed to offer local, regional and international companies a base to operate and take advantage of Bahrain's position to cater to the Northern Gulf market and to access GCC markets via various means of transportation.

Commonly used business entities

Company limited by liability – W.L.L. or B.S.C. (C)

Foreign participation in a 'With Limited Liability (WLL)' company is permitted, normally limited to a minority stake, with the majority stake being held by a Bahraini registered company or national. The minimum capital requirement is Bahraini Dinar 20,000 and the maximum non-Bahraini participation allowed is 49 percent (please see exemptions due to FTAs above). The minimum number of shareholders required is 2 and the maximum 50. A WLL company may be a shareholder in another company.

Alternatively, a Bahrain Shareholding Company B.S.C. (Closed) (B.S.C. (C)) can be established. A B.S.C (c) is a closed joint stock company consisting of a number of persons not less than two – who subscribe for negotiable shares that are not offered to the public for subscription. The issued capital must not be less than Bahraini Dinar 250,000.

Single Person Company (S.P.C.)

A Single Person Company (S.P.C.) must, ordinarily, have a fully paid-up share capital of not less than Bahraini Dinar 50,000. The liability is limited to the capital allocated.

Holding Company

A Holding Company may take the form of a B.S.C. (c) or Public Shareholding Company, a W.L.L., or an S.P.C. The registration requirements will depend on the legal form chosen. A Holding Company must own more than 50 percent of the shares of its subsidiaries.

Branch Offices: Operational, Representative, or Regional Office

Branches may be registered as an operational office, a representative office, or a regional office of the parent company. The parent company shall bear all liability of its branch. Business operations are allowed only for an operational office while representative and regional offices are only permitted to undertake marketing and promotion activities.

Main legal formalities for the formation of a company or registration of a branch	The above mentioned forms of business have to incorporate under the Bahrain commercial companies Law (21) of 2001. Important documents to be submitted to the MOIC include: • Company registration application form. • Draft memorandum and articles of association. • External entities pre-approval (depending on the activity). • Capital deposit certificate (after preliminary approval). • Financial Auditor's report or evaluation letter for in-kind capital (if any). Additional requirements may apply based on the nature of the activities and the shareholders (for example, copy of articles of association of a company shareholder).
Currency/monetary restrictions	There are no exchange control restrictions on repatriation of profits by way of dividends and other payments.
Regulatory requirements for Financial Services	Governed by Central Bank of Bahrain.

Accounting/Finance for companies and Algerian branches of foreign companies

Financial statements	Companies are required to prepare the accounts in accordance with International Accounting Standards.
Audit requirements	All public and closed joint stock companies, limited liability companies and exempt companies are required to have an annual audit. The auditors appointed at the annual shareholders' meeting must be registered with the Ministry of Commerce.
Book year/accounting currency	The company shall have a financial year that starts on the first of January and ends on the 31st of December each year, unless otherwise provided for in the company's articles of association. The first financial year shall be an exception. It shall begin at the company incorporation date and end with the financial year end.

Tax

Approval requirements	There is currently no specific approval required for tax purposes. Tax Residency Certificates are issued by the Ministry of Finance on request.
Advance tax rulings/Advance pricing agreements (APA)	There are no advance pricing rulings/agreements.
Income tax compliance	Currently income tax is only levied on oil and hydrocarbon related activities at a tax rate of 46 percent and is payable on the net profit of each accounting period. More specifically tax is payable by any company, regardless of its place of incorporation, which undertakes exploring, producing, or refining oil in Bahrain. Withholding tax (WHT) is currently not applicable. Anti-avoidance rules is currently not applicable.
Indirect tax compliance	Currently not applicable.
Double Taxation Avoidance Agreements (DTAA)	Bahrain has signed over 40 DTAA, including with the United Kingdom, Ireland, Bermuda, Isle of Man, Singapore, South Korea, Seychelles, Netherlands, Luxemburg, Malaysia and France. DTAA with Hungary and Tajikistan are about to come into force.
Transfer pricing	There are no transfer pricing legislation in place currently.

Bangladesh

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Regulatory/Legal

Setting up business

Bangladesh has removed the restrictions and approval procedures in order to attract investment in the private sector. Foreign investors may own 100 percent of the capital or may set up joint venture entities in most sectors. There are also no laws regulating debt-equity ratio except foreign borrowings.

Trained local manpower is available at low costs, and there are very few restrictions on engagement of expatriate employees, subject to meeting some conditions. Industrial policy ensures equal treatment for local and foreign investment.

The Foreign Private Investment (Promotion & Protection Act) ensures legal protection to foreign investment in Bangladesh against nationalization and expropriation.

Bangladesh has paved roads connecting all the towns and cities. It has two sea ports and the country is connected by road, railways and airways.

GDP growth rates in the past several years have exceeded 6 percent and in 2013–2014, it was 6.12 percent

Commonly used business entities

The main forms of doing business (apart from individuals carrying on business as a proprietorship) are:

- Locally Incorporated Company;
- Branch Office;
- Liaison Office; and
- Partnership.

Main legal formalities for the formation of a company or registration of a branch/liaison office or partnership

Locally Incorporated Company

There are various types of companies and now all of the companies are created by registration under the Companies Act, 1994. The most common types of companies are Public Limited Company and Private Limited Company.

- Public Limited Company

  The number of members of a Public Limited Company is minimum 7 and the maximum number is limited by share according to share capital described in memorandum of association. The liability of a member is limited by his/her share capital.

  The special significance of a Public Limited Company is that such a company is permitted to offer shares and securities to the public. The shares of this company can be transferred without any restriction.

- Private Limited Company

  The number of members of a Private Limited Company is limited and this limit is minimum 2 and maximum 50. It cannot invite the public to subscribe for its shares or debentures. The liability of the members is limited by their share capital.

  Private and Public Limited Company can carry out any legally permissible business in any locations of Bangladesh if its Memorandum of Association and Article of Association permit it.

Typically, it takes 2–4 weeks to incorporate a company under The Companies Act 1994 from Registrar of Joint Stock Company and firms (RJSC).

Main legal formalities for the formation of a company or registration of a branch/liaison office or partnership (Cont'd)	A Company has to comply with the regulations of The Companies Act 1994. Key compliances may include submission of the annual return, submission of annual audited accounts etc. A company has to submit its annual tax return along with its audited accounts to the income tax authority. **Branch Office (BO)/ Liaison Office (LO)** • Permission from Board of Investment (BOI) has to be obtained to open BO/LO in Bangladesh. BO/LO has to comply with the requirements mentioned in BOI permission letter. Other major compliances may include submission of quarterly statements of accounts for inward remittances from head office and expenses therefrom to BOI, its Authorised Dealer (normally its Banker) and Income Tax Authority. Normally audited accounts of BO/ LO are required for submission to income tax authority. • Operations and locations of BO/ LO are limited to as stated in BOI permission letter. For any new locations/customers and operations a new application will have to be submitted to BOI. However, broader locations and operations could be requested at the time of obtaining BOI permission. • Permission of BO/LO is typically limited to 2–3 years which is renewable upon expiry. It takes almost 5-6 weeks to get permission from BOI. **Partnership** • A general partnership may be formed with local individual or other registered entities; and the partners are jointly and severally liable for partnership debts to the full extent of their assets. • The Partnership Act, 1932 governs it. Its formation is easier than a company. It has no legal entity and registration is not mandatory. There is a contractual relationship among the partners. • The minimum number of partners is 2 and the maximum number is 20 in ordinary cases and 10 in case of banking business. Partner's liability is unlimited. • Profits are distributed according to profit sharing ratio.
Currency/monetary restrictions	There are no restrictions on inward remittances; however in certain circumstances outward remittances require prior permission from Bangladesh Bank and also from BOI.
Regulatory requirements for Financial Services	Banks, financial institutions are all regulated by the Central Bank of Bangladesh ("Bangladesh Bank") and the Bank Companies Act 1991. Insurance Development & Regulatory Authority Bangladesh (IDRA) under the Insurance Act 2010 regulates insurance companies.

Accounting/Finance for companies and branches of foreign companies

Financial statements	Financial statements of companies are required to be prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) which are the adopted versions of Financial Reporting Standards. Audited financial statements are required to be filed along with the return of income to the tax authorities in addition to their mandatory filing to the Registrar of Joint Stocks Company (RJSC).
Audit requirements	An independent auditor recognized by the Institute of Chartered Accountants of Bangladesh must audit financial statements annually.
Requirements for foreign investors	Foreign and local investors are treated substantially the same under the law.
Book year/accounting currency	Bangladesh Government follows fiscal year which runs July to June. However, other than in the banking, finance and insurance sector, companies can choose their accounting year to end in any month and are not required to compulsorily follow the calendar year. Although most companies follow an accounting year from January to December. Banks, finance and insurance companies must have December year ends. The functional currency in Bangladesh is Taka (BDT).
Format	Companies are required to prepare their financial statements according to BFRS and provide disclosures required therein and/or by the Companies Act 1994.

Tax

Approval requirements

An entity does not require approval from National Board of Revenue (NBR).

Every company is required to obtain a Taxpayer's Identification Number (TIN) and register with the Value Added Tax (VAT) authorities (where applicable).

Income tax compliance

Individual and Partnership

Total income	Tax rate
First BDT 220,000*	Nil
Next BDT 300,000	10 percent
Next BDT 400,000	15 percent
Next BDT 500,000	20 percent
Next BDT 3,000,000	25 percent
On the balance	30 percent

*Initial exemption limit for women and senior citizens aged 65 years or over is BDT 275,000, for physically challenged persons is BDT 350,000 and for gazetted war-wounded freedom fighters is BDT 400,000.

Non-residents other than Bangladeshi non-residents shall pay tax on the total income at the maximum rate of 30 percent.

Minimum tax payable is as follows depending on location of the assesse:

Location	Minimum tax
Within City Corporation	BDT 3,000
Within Pourashava	BDT 2,000
Other area	BDT 1,000

Company

- Tax rate of 27.5 percent for publicly traded companies i.e. companies listed with any stock exchanges in Bangladesh other than banks, insurance and other financial institutions. However tax rate of 35 percent will be applicable if a dividend at 10 percent is not declared and paid in the assessment year.
- 35 percent for non-listed companies including branch offices other than banks, insurance and other financial institutions.
- 42.5 percent for banks, insurance and other financial institutions.
- 35 percent for merchant banks.
- 45 percent for Mobile phone operator companies.
- 40 percent for mobile phone operator companies that converted itself into a publicly traded company by transfer of at least 10 percent shares through stock exchanges, of which maximum 5 percent may be through Pre-Initial Public Offering Placement.
- A reduced rate of 15 percent is applicable for textile companies, research institutes and certain educational institutes.
- Industries in Export Processing Zone (EPZ) enjoy a tax exemption period for 5 years in Dhaka and Chittagong Division and 7 years in other divisions.
- Private power generation companies (other than coal based) enjoy 15 years exemption from corporate tax in addition to certain other incentives provided it starts commercial operation before 31 December 2014.
- Private power generation companies (other than coal based) enjoy 10 years exemption from corporate tax provided it starts commercial operations before 30 June 2016.
- Coal based Private Power generation companies enjoy 15 years tax exemption from corporate tax in addition to certain other incentives provided it enters into agreement within 30 June 2020 and starts commercial production within 30 June 2023.
- Minimum tax at 0.30 percent on the company's gross receipt would be applicable. In addition to company, every firm having gross receipts of more than BDT 5 Million shall be liable to pay minimum tax @ 0.30 percent on firm's gross receipts.

Capital gains tax	**Capital gains tax other than sale of shares of listed companies** In the case of a company, income from capital gains will be separated from total income and tax @ 15 percent is payable on such capital gains regardless of the period of holding of the asset from the date of its acquisition. In the case of an assessee other than a company, if the asset is transferred before the expiry of five years from the date of acquisition, the capital gains will be taxed at the usual rate applicable to the assessee's total income including the capital gains. If the asset is transferred at any time after expiry of five years from the date of its acquisition, the capital gains will be taxed at the usual rate applicable to the assessee's total income including the capital gains or @ 15 percent on the amount of capital gains whichever of the two is lower.
Advance tax	Companies and self-employed individuals with income more than BDT 400,000 are required to pay advance tax based on 100 percent of their last assessed income or 75 percent of their estimated income. The 75 percent rate is only applicable to new taxpayers or where the estimated tax is less than the last assessed tax. Advance tax is payable in quarterly instalments beginning on September 15 of the income year; the balance of/outstanding tax, if any, is payable before filing the tax return.
Returns and assessment	• In general, residents within the meaning of the Income Tax Ordinance 1984 are taxed on their worldwide income. • Individuals who have taxable income (i.e. income above BDT 220,000) are required to file tax returns. Tax returns must be filed by September 30th (which is extendable by 3 to 6 months) for the income year ending previous June 30th. • Companies have to file their tax returns within six months from the end of the accounting period /year or following July 15th, whichever is later. The filing date may be extended by the tax authorities upon application. • The tax return of a company, branch office, and liaison office has to be accompanied with audited statement of accounts, computation of total income along with supporting schedules. • An individual or a company who feels aggrieved may file an appeal against the order of Deputy Commissioner of Taxes to the Joint Commissioner/Commissioner of Taxes (Appeal) and against the order of the Joint Commissioner/Commissioner of Taxes (Appeal) to the Taxes Appellate Tribunal. An assessee can file appeal against the order of the Taxes Appellate Tribunal only in the area of law to the Supreme Court – High Court Division and then to the Appellate Division.
Indirect tax compliance	**Value Added Tax (VAT)** • Standard rate of VAT is 15 percent. • There are certain categories of goods and services which are exempt from VAT. • For most of the services and for some imported goods there are reduced rates of VAT which is commonly known as the truncated system of VAT. Under this system VAT is deducted by the buyer at the time of making payments and the seller/service provider is not allowed to take any input Value Added Tax credit. • VAT on export industries is zero rated. • No VAT is levied on agricultural products and livestock. **Turnover Tax** • Organizations with annual turnover of less than BDT 8 Million and who not fall under mandatory VAT registration may pay turnover tax at three percent instead of VAT.

Indirect tax compliance (Cont'd)

Stamp Duty

- Stamp duty is levied on legal documents, but the rates vary depending on the nature of documents.
- For the transfer of shares of unlisted companies, stamp duty is imposed @ 1.5 percent on the transfer price.
- The duty on transfer of immovable property is 3 percent.
- For all other documents, the stamp duty varies starting from BDT 1.

Other tax compliance

Customs Duty

Customs duty is levied on goods entering Bangladesh. The rates vary depending on the type of goods imported. No customs duty is levied on plant and machinery imported by an export oriented industry. Exemptions are also available for import of capital machinery in other sectors. Power generation companies are allowed to import plant, equipment and spares without payment of customs duties.

Duty rates vary from 5 percent to 25 percent, with the exception of cigarettes, alcohol and firearms, which are subject to higher duties.

Supplementary Duty/Tax

This is imposed on luxury goods imported into Bangladesh, non-essential and socially undesirable goods (such as cigarettes, alcohol, etc.) produced and supplied in Bangladesh and on services provided by top class hotels.

The rates vary from 10 percent to 500 percent.

Excise Duty

- There is excise duty for banking companies and airlines in Bangladesh.

Property Taxes

This is collected by the land and revenue office and the rates vary depending on location. However the tax is not significant.

Payroll Tax

The employer has to withhold tax at the time of payment of salary applying the average rates appropriate to individuals' salaries.

The applicable rates are those for individual as mentioned above. For a non-resident individual the maximum rate of 30 percent will be applicable.

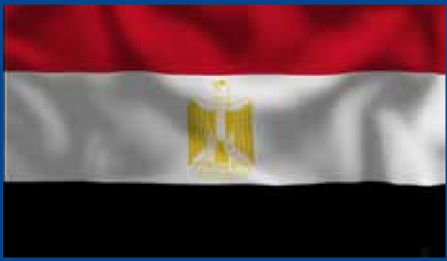
Gift Tax

Gift tax shall not be charged amongst others in respect of gifts made by any person:

- Of property situated outside Bangladesh
- To the Government or any local authority
- To certain charitable institutions
- To a dependent relative up to BDT 20,000 on the occasion of his marriage
- By way of payment of policy of insurance or annuity for any person (other than wife) dependent upon him for support and maintenance up to BDT 20,000
- Under a will
- Under contemplation of death
- To sons, daughters, father, mother, his or her spouse, own brothers and sisters

In addition to the above exemption, gifts made in any financial year up to value of BDT 20,000 are exempt from gift tax. The Government may by notification exempt any class of gift or any class of person from gift tax.

Other tax compliance (Cont'd)	**Withholding Tax (WHT)** • Bangladesh has a withholding tax regime. • All companies including private companies, branch companies, liaison offices, banks and other financial institutions etc. are required to collect/withhold tax (if applicable) at appropriate rates at the time of payments to suppliers/service providers. The WHT so deducted have to be deposited to the government exchequer within the stipulated time, i.e. within 2 weeks from the end of the month of such deduction/ collection.
Director's liability to tax	Where any private limited company is wound up and any tax assessed on the company, whether before, or in the course of, or after its liquidation, in respect of any income of any income year cannot be recovered, every person who was, at any time during the relevant income year, a director of that company, shall, notwithstanding anything contained in the Companies Act, be jointly and severally liable to pay the said tax and shall, for the purposes of recovery thereof, be deemed to be an assessee in respect of such tax ; and the provisions of the Income Tax Ordinance - 1984 shall apply accordingly. The liability of any person there under in respect of the income of a private limited company shall cease if he proves to the Deputy Commissioner of Taxes that non-recovery of tax from the company cannot be attributed to any gross neglect, misfeasance or breach of any duty on his part in relation to affairs of the company.
Principal Officer	The Principal Officer of a Bangladeshi Company should be the person responsible for discharging the obligations imposed on the company in accordance with the Law. As there are stringent penalties and punishments that could be imposed on the Principal Officer for non-compliance, the role and responsibilities of the Principal Officer is therefore of utmost importance and should be executed in a diligent matter.
Double Taxation Avoidance Agreements (DTAA)	Bangladesh has executed DTAA with 32 countries, including United Kingdom, Singapore, Sweden, Republic of Korea, Canada, Pakistan, Romania, Sri Lanka, France, Malaysia, Japan, India, Germany, the Netherlands, Italy, Denmark, China, Belgium, Thailand, Poland, , Philippines, Vietnam, Turkey, Norway, United States of America, Indonesia, Switzerland, Oman (air traffic only), Mauritius, UAE, Myanmar, Kingdom of Saudi Arabia. Major trading partners are United Kingdom, Singapore, Japan, India, Malaysia, United States of America and Germany.
Transfer pricing	Specific transfer pricing regulations, recently introduced in the tax law are effective from 1 July 2014. In practice, the tax authorities focus closely on transactions with related parties to determine whether such transactions are at arms' length. They also seek to ascertain whether structures have been adopted solely with a view to avoid or reduce taxes in Bangladesh.



Egypt

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Regulatory/Legal

Setting up business

There are no specific restrictions on setting up a business in Egypt. However, some businesses do require a license or permit to operate, for example banks, securities and insurance firms, foreign investment in Sinai, and companies established under the investment law.

Commonly used business entities

The Companies Law 159 of 1981 is the general law which regulates joint stock companies, limited partnerships by shares, limited liability companies, branches of foreign companies and representation (or scientific or liaison) offices of foreign companies in Egypt.

The main characteristics for each form of entity are detailed below:

Egyptian Joint Stock Company has similar features to that of a standard company elsewhere in the world. The salient features of the Egyptian Joint Stock Company are as follows:

- There should not be less than three founders (who could all be non-residents) nor less than three shareholders at any time.
- The minimum issued share capital of a closed or private joint stock company is Egyptian Pound (LE) 250,000 and that of a company which lists its shares at The Egyptian Stock Exchange is LE 50,000,000.
- A foreign shareholder can sell his shares on the Egyptian Stock Exchange and can repatriate the sale proceeds abroad without any restrictions, including the dividends.
- A Joint Stock Company is managed by a board of directors composed of no less than three. The board of directors is formed by a decision issued by the general meeting of the shareholders. The directors can be selected from the company shareholders or from outsiders. All the directors, including the chairman, can be of foreign nationalities.
- The employees are entitled to receive as profit share @ 10 percent of the profits available for distribution, but with a maximum of 100 percent of their annual salaries.

Limited Liability Company (LLC) is a closed company where the liability of each of its shareholders (called partners) is limited to the value of their shares (called quotas). The number of partners of a LLC should not be less than two. The shares/quotas of the LLC cannot be traded on the Stock Exchange. Other key features are as follows:

- LLC cannot borrow through a public offering. Also such companies cannot engage in banking, securities or insurance activities, nor receive deposits from others, or invest funds for the account of others.

Commonly used business entities (Cont'd)

- Although the quotas of LLC cannot be traded in the Stock Exchange, any partner can sell their quotas to anyone after offering them to the other partners and such partners declining to buy them.
- Foreigners can own 100 percent of the equity capital of a LLC.
- LLC is run by a manager or managers of whom at least one should be of Egyptian nationality. The manager(s) is appointed in the company's Incorporation Contract as approved by the partners and has the same legal status as that of the chairman and the managing director in a joint stock company.
- There is no minimum capital required and has to be divided into equal quotas and their value should be fully paid.
- LCC which has a share capital equal to or exceeding the minimum share capital of a closed joint stock company (i.e. LE 250,000) has to allocate at least 10 percent of the profits available to distribution to its employees as profit-sharing, provided that these profits should not exceed 100 percent of their annual salaries.

Foreign branches, at present, are allowed to carry out construction works or generally works of a contractual nature, manage hotels and manage mutual funds. The key features are as follows:

- The minimum capital requirement for a foreign branch is LE 5,000 to be paid in one of the foreign convertible currencies. For branches which are established to manage hotels, the minimum capital requirements is LE 30,000.
- The manager of the foreign branch can be of a foreign nationality.
- At least 10 percent of the net profit of the branch should be allocated to employees as profit-sharing, but the amount of profit-sharing should not exceed 100 percent of the annual salaries of the employees.
- The net profit of the foreign branch (according to its audited financial statements) can be repatriated abroad if the branch has sufficient foreign currency to do so. This also applies to the capital of the foreign branch. Foreign currency can be purchased from accredited banks in Egypt, or foreign exchange companies at the ruling rates of exchange.

Main legal formalities for the formation of a company or registration of a branch

Branch

Following documents are required:

- The Board of Directors resolution of the parent company indicating the approval for registering the company's branch in Egypt.
- A bank certificate stating that the branch has a foreign currency balance transferred from abroad equals LE 5,000, as a minimum.
- A copy of the contract concluded between the parent company and the Egyptian company, Egyptian Government or a public sector company.

Company

Following documents are required:

- A bank certificate stating that 25 percent (at least) of the Company's issued capital is deposited at an Egyptian certified bank in a blocked account, to be released after the registering the company in the Commercial Registry. As for LLC, the bank certificate should indicate the payment of full capital.
- The security investigation report of each foreign shareholder and/or board member.
- In case the founder of the company is a foreign corporate body, it should present the following additional documents:
  - Articles of association and all amendments thereto.
  - Commercial Registration Certificate.
- A board resolution approving its participation in the establishment of the company in Egypt and appointment of its representatives in the new company.

Currency/monetary restrictions	Egypt has no foreign exchange restrictions. However, transfers should be made through Egyptian banks provided the supporting documents for any transaction should be presented to the bank in order to approve the transfer.
Regulatory requirements for Financial Services	Banks are regulated by the Central Bank of Egypt (CBE), while companies whose business is related to securities (holding companies, portfolio management companies etc.) are supervised by the Egyptian Capital Market Authority.

Accounting/Finance for companies and branches of foreign companies

Financial statements	Companies are required to prepare annual financial statements according to the Egyptian accounting standards which are broadly in line with International Financial Reporting Standards.
Audit requirements	Financial statements should be audited by a certified accountant. However banks and mutual funds should have 2 independent auditors to co-audit their financial statements.
Requirements for foreign investors	Foreign founders, board members and directors are subject to security investigation and the General Authority for Investment should receive security clearance for them. They are entitled to reside in Egypt for business after obtaining work and residence permits.
Book year/accounting currency	The accounting year end does not need to coincide with the calendar year and financial statements can be prepared using a functional currency.
Format	Financial statements are based on local GAAP, which largely conforms to International Financial Reporting Standards principles.

Tax

Approval requirements	Taxpayers are required to register with the General Tax Authority before they commence their work in Egypt.
Advance tax rulings/Advance pricing agreements (APA)	Taxpayers can obtain advance tax rulings, for which the normal response time by tax authorities is typically 2 months. Although it can take longer in practice.
Income tax compliance	Egypt has adopted the self-assessment system whereby companies must file their annual tax returns, together with all supporting schedules, before 1st May each year or four months from the financial year-end, as the case may be. The tax return should be signed by the taxpayer and an independent tax accountant. The corporate income tax rate has been temporarily increased from 25 percent to 30 percent. The first LE 1 Million of the annual net taxable income is subject to 25 percent and any amount in excess of LE 1 Million will be subject to 30 percent tax rate. This increase applies to corporate bodies for 3 years, starting as of the current tax period. The same increase applies to natural persons. Oil & gas exploration and production companies are subject to tax on their net annual taxable income @ 40.55 percent.

Indirect tax compliance

Manufactured goods, operating or processing for the account of others, and some tourist services are subject to sales tax. Sales tax is mainly imposed on manufactured goods (whether imported or locally produced) and is similar in its application to Value Added Tax (VAT).

The standard rate of sales tax is 10 percent but some goods are exempt from the sales tax and some other goods attract lower or higher tax rates. Sales tax imposed on imported goods is collected by the customs authority for the account of the sales tax department. However, the system of deducting the sales tax on inputs from the sales tax on outputs does not apply in the case of taxable services (it is allowed to offset between the sales tax on inputs from the sales tax on outputs in case of the imported materials or the locally purchased materials which are used in production), and therefore the producer has to remit the sales tax on full sales to the Sales Tax department and consider the sales tax on his inputs from services as a cost. However, in contracting works, if the main contractor assigns a subcontractor(s) to provide the same services, the subcontractor is not obliged to charge sales tax to the main contractor, but only provide him with a letter that the main contractor is responsible to pay the sales tax. In case the subcontractor paid the sales tax, the main contractor is entitled to offset the sales tax paid by the subcontractor provided that it is related to the same contract (documentation proof of payment is essential).

Stamp Duty

Stamp Tax is imposed on many transactions, for instance, annual 0. 4 percent on bank facilities balances, 20 percent on advertising costs and 2.4 percent on government payments.

Other tax compliance

An employee's income is subject to Salary Tax (income will include salary, bonuses, overtime, and other related benefits paid onshore or offshore) less some specific exemptions (mainly employees' social insurance contributions and collective benefits in-kind). Salary Tax rates are 10 percent to 30 percent for taxable income over LE 1 Million.

The employer is required to compute employees' salary tax on a monthly basis, withhold tax at source and then remit this to the Tax Authority within the first 15 days of the month following the month of salary payment. In case the employer has no permanent establishment in Egypt or it is non-resident for tax purposes in Egypt, then the employee himself is obliged to submit an annual salary tax form which outlines the total payments and total tax liability.

Non-resident employees (stayed in Egypt for less than 183 days) are subject to normal salary tax rates determined above.

Withholding tax of 20 percent is imposed on royalties, interests, and fees paid to non-resident companies for services performed by them to Egyptian companies in Egypt (this should be reviewed on a case by case basis based on the agreements in place). However, this withholding tax does not apply to payments related to some activities (e.g., training) and in cases where the recipient is a residents of a country which has a tax treaty with Egypt (in such case the Double Taxation Avoidance Agreement (DTAA) overrides the domestic tax law).

Dividends

- Tax is imposed on dividends received by resident and non-resident corporate bodies, including the profits of non-resident corporate bodies that are realized through a permanent establishment in Egypt @ 10 percent, with no deductions. Profits of non-resident corporate bodies that are realized through a permanent establishment in Egypt are deemed to be distributed within 60 days from the closing of the permanent establishment's financial year.
- A lower tax rate of 5 percent applies where ownership in the distributing entity exceeds 25 percent of the share capital or voting rights, provided the participation is held for minimum 2 year period.

Other tax compliance (Cont'd)	**Capital Gains Tax** • Capital gains received by a resident corporate body from an Egyptian source income as a result of the disposal of securities that are listed on the Egyptian Stock Market are subject to tax @ 10 percent, with no deductions. • Capital gains realized by a non-resident corporate body from the disposal of listed and unlisted securities or quotas are subject to tax @ 10 percent, with no deductions. **Real Estate Tax** • With respect to real estate tax, tax is imposed @ 10 percent on the annual rental value of the buildings, after deducting 32 percent out of the rental value to cover the expenses incurred by the taxpayer, including the maintenance costs. Taxpayers are required to remit such tax in two instalments, by the end of June and December of each year. Real estate tax is re-assessed every five years.
Director's liability to tax	Chairman, board of directors and the managers of corporations are subject to salary tax for their administrative work's payments. However, any other payments, which are not related to the administrative work, are not considered as a tax deductible expense for income tax purposes.
Social Insurance	**On salaries** Salaries are subjected to Social insurance and the monthly ceiling of salaries which are subject to social insurance is LE 1,012.50 per month of base salary and LE 1,590 on variable elements (allowances, overtime, bonus, etc.). The company's share of social insurance is about 26 percent on basic salary and 24 percent on variable salary. Employee's share is 14 percent on basic salary and 11 percent on variable salary. Non-residents working in Egypt are subjected to the reciprocity agreements concluded between the Arab Republic of Egypt and their respective countries, on a case by case basis. There are agreements dealing with non-resident on equal terms with Egyptians and vice versa. There are also other agreements according to which work injuries are covered by insurance @ 3 percent basic and variable salary. The employer is required to compute employees' social insurance contributions on a monthly basis, employer shares at source and then remit this to the competent social Insurance office within first 15 days of the month following the month of salary payment. **On construction contracts** Constructions contracts are subject to social insurance at specified rates, on a case to case basis. The awarding party and the contractor are considered jointly liable and responsible for settling the insurance obligations due on the project.
Double Taxation Avoidance Agreements (DTAA)	Egypt has wide DTAA network with as many as 50 countries, including Albania, Algeria, Armenia, Bahrain, Belarus, Belgium, Bulgaria, Canada, China, Germany, Greece, Iraq, South Africa, Spain, Russia, Singapore to name a few.

Transfer pricing

Egypt was one of the first countries in the Middle East and North Africa to introduce specific transfer pricing rules in its tax code, and the first to release transfer pricing guidelines in Arabic. At the end of November 2010, Egyptian Tax Authority introduced first part of the Transfer Pricing guidelines, similar to the Organisation for Economic Co-operation and Development (OECD) model.

The first part mainly discussed the basis of the arm's length principle, the arm's length pricing methods and the importance of documentation. There has been no announcement from the Tax Authority regarding the date of issuing the remaining two parts of the guidelines. The Egyptian Transfer Pricing Guidelines explicitly list the following benchmarking methods:

Traditional transaction methods:

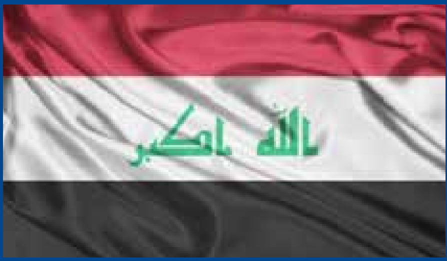
- Comparable Uncontrolled Price (CUP) method
- Resale Price (RP) method
- Cost plus (CP) method

Transactional profit methods:

- Profit Split (PS) method
- Transactional Net Margin Method (TNMM)

Other methods:

- Global Formulary Apportionment.



Iraq

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Regulatory/Legal

Setting up business

All foreign companies need to be registered with the Ministry of Trade.

Commonly used business entities

A new entity should be registered with the Companies' Registrar. Common forms of business entities in Iraq are:

- Limited Liability Company (LLC) wholly owned by a foreigner
- Branch of a company incorporated outside Iraq
- Representative office
- Joint stock company
- Simple company
- Sole owner enterprise

Kurdistan Region tax regime

As a region in Northern Iraq, the Kurdistan Region has introduced certain laws and practices which are in variance with the position/practice in Federal Iraq. We have sought to include in this document the key differences in legislation and practice between Federal Iraq and Kurdistan Region, respectively.

Main legal formalities for the formation of a company or registration of a branch

Company

The name of the company must first be cleared with the Registrar and it should be an Arabic name. A set of the memorandum and articles of association for the company has to be lodged with Registrar, together with the prescribed information for incorporation and the prescribed fees for registration.

In Kurdistan, entities can use a foreign name.

Representative office (RO)

An entity can register a RO, however such RO is not allowed to conduct business activities. RO can do marketing activities and participate in tenders. If RO wins a contract, then legally such RO should be converted into a branch.

Branch

An operating foreign company (Branch) means:

- A company or an entity which is registered outside Iraq;
- Whose headquarters are in another country; and
- Whose nationality is considered non-Iraqi.

In terms of its nature it can be:

- Companies operating for a limited period, which are awarded tenders in order to realize work in Iraq for a limited period.
- Their registration shall cease upon completion of such work, unless the company obtains new contracts, in which case its registration shall extend to cover the execution of such additional work.
- Their registration shall be cancelled after all the work in Iraq is completed and all rights & obligations are settled.

Currency/monetary restrictions	Iraq does not restrict the flow of foreign currency in or out of the country.
Regulatory requirements for Financial Services	The Central Bank of Iraq regulates activities of all banks, Insurance Regulation Commission regulates activities of all Insurance companies and Iraq Securities Commission regulates the Stock Exchange.

Accounting/Finance for companies and branches of foreign companies

Financial statements	Annual financial statements must be prepared and lodged with the Registrar and should be prepared in accordance with the Unified Accounting System, Iraqi GAAP.
Audit requirements	Under companies' law, financial statements must be audited annually. Auditors are appointed/re-appointed in the Annual General Meeting (AGM) of the company. Only an Iraqi CPA can certify and sign the audited financial statements.
Book year/accounting currency	The accounting year end does not need to coincide with the calendar year, but a pre-approval should be secured from the Registrar, as well as the Tax Commission. In practice, almost all entities follow the calendar year. Financial statements can be prepared in the company's functional currency. For statutory purposes the financial statements need to be translated into Arabic and should be in Iraqi Dinar.
Format	Financial Statements need to be presented according to the Unified Accounting System adopted in Iraq.

Tax

Approval requirements	A business does not require approval from the Iraqi Tax Department to commence its operations. However, taxpayers should obtain a Tax Identification Number (TIN) in order to start remitting payroll taxes deducted and apply withholding taxes, if any.
Advance tax rulings/Advance pricing agreements (APA)	It is generally possible to obtain advance tax rulings subject to the prevailing agreements, policies and guidelines. In most cases these rulings are considered not binding by the tax inspector, although they can serve as a guideline. There is no provision for advance pricing agreements.
Income tax compliance	The tax year is the calendar year. However, the income tax department will approve, on a case by case basis, requests seeking to change the tax year-end. The annual taxable profit (or loss) is calculated by making certain adjustments to the accounting profit (or loss) for the year, as required by the tax legislation and after taking account of any available losses brought forward. Income tax returns should be filed along with the audited financial statements within five months after the end of taxpayer's financial year. A flat tax rate of 15 percent generally applies to all taxpayers. Oil & gas law was introduced on March 15th, 2010. Taxpayers engaged in oil & gas and related industries are subject to 35 percent tax rate. Oil & gas law is not implemented in Kurdistan.
Permanent establishment	There is no concept of 'permanent establishment' in Iraqi tax law. Currently, all income 'arising in Iraq' is taxable in Iraq.
Capital gains	Gains derived from the sale of assets should be included in the ordinary income and taxed at the normal corporate tax rate.

Losses	Losses are tax deductible and can be carried forward for a maximum of five consecutive years, provided that no more than half of any year's taxable income can be offset and any loss carried forward is only deducted from the same source of income from which it is being offset.
Indirect tax compliance	There is no Value Added Tax (VAT) or general sales tax except for specified restaurants and hotels.
Other tax compliance	Any person making payments of interest or such similar payments from within Iraq to a lender outside Iraq must withhold and remit 15 percent tax. Salaries and wages are subject to payroll tax and social security contributions.
Director's liability to tax	A director of a company is subject to income tax in Iraq for remuneration received as a director of an Iraqi company. Where the remuneration is paid/ payable to a non-resident director, withholding tax provisions may apply.
Double Taxation Avoidance Agreements (DTAA)	Although there are DTAA signed between Iraq and other countries, the tax authorities do not take into account such DTAA for arriving at the tax liability.
Transfer pricing	Currently there is no transfer pricing legislation.

Jordan

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Regulatory/Legal

Setting up business

All foreign investments are approved and monitored through appropriate government bodies and principally controlled by the Jordan Investment Board (JIB). In certain sectors, such as banking and exploitation of natural resources, foreign investments are governed by relevant ministries. There are certain business sectors that are closed or may be restricted to investment by foreigners.

Commonly used business entities

A new entity should be registered with the Ministry of Industry and Trade (MIT). Approval for registration typically takes ten working days upon submission of all required documents. Common forms of business entities in Jordan are:

- A company incorporated in Jordan
- A Private Limited Liability Company (LLC) is a popular form of entity
- A branch of a company incorporated outside Jordan
- General and limited partnerships
- Representative offices of foreign companies are also permitted

Main legal formalities for the formation of a company or registration of a branch

Company

The company name must first be cleared from MIT. A set of memorandum and articles of association for the company has to be lodged with MIT, together with the prescribed details and the prescribed fees for registration.

The most popular form of company is a private shareholding company (whereby the liability of shareholders is limited to the extent of their shareholding). A private shareholding company can be incorporated with a minimum paid-up capital of Jordanian Dinar (JOD) 50,000. Foreign investors must have a Jordanian partner and foreign investment should not exceed 50 percent of the share capital.

If the foreign investor seeks to own more than 50 percent of the share capital, a special approval is required from the Cabinet and the resultant share capital will be as approved by the Cabinet.

Branch

An Operating Foreign Company (Branch) means

- A company or an entity which is registered outside Jordan;
- Whose headquarters are in another country; and
- Whose nationality is considered non-Jordanian.

In terms of its nature it can be divided into two types:

- Companies operating for a limited period, which are awarded tenders in order to realize work in Jordan for a limited period. Their registration shall cease upon completion of such work, unless the company obtains new contracts, in which case its registration shall extend to cover the execution of such additional work. Their registration shall be cancelled after all the work in Jordan is completed and all rights & obligations are settled.
- Companies operating permanently in Jordan, such as foreign banks, under license by the competent official authorities.

Currency/monetary restrictions	Jordan does not restrict the flow of JOD or foreign currency in or out of the country.
Regulatory requirements for Financial Services	The Central Bank of Jordan regulates activities of Banks, Insurance Regulation Commission regulates activities of Insurance companies and Jordan Securities Commission regulates the Amman Stock Exchange.

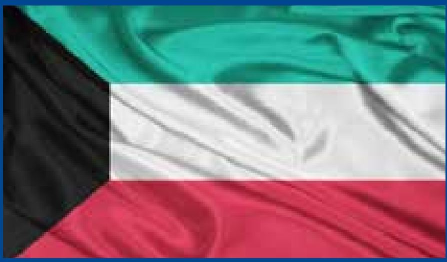
Accounting/Finance for companies and branches of foreign companies

Financial statements	Annual financial statements must be prepared and lodged with the Registrar and should be prepared in accordance with International Financial Reporting Standards.
Audit requirements	Under Jordan company law financial statements must be audited annually. Auditors are appointed/re-appointed in the Annual General Meeting of the company.
Requirements for foreign investors	Please refer to earlier comments on setting up business.
Book year/accounting currency	The accounting year end need not coincide with the calendar year. Financial statements can be prepared in the company's functional currency, which may be a currency other than JOD.
Format	There are specific formats used by banks, according to the Central Bank of Jordan. Similarly, insurance companies have specific formats according to the Insurance Regulation Commission.

Tax

Approval requirements	A business does not require approval from the Jordanian Tax Department to commence its operations. However, taxpayers should obtain a tax registration to be able to start remitting payroll taxes deducted and to import good through Customs.
Advance tax rulings/Advance pricing agreements (APA)	It is generally possible to obtain advance tax rulings, subject to the prevailing agreements, policies and guidelines. In most cases these rulings are considered not binding by the tax inspector, although they can serve as a guideline. There is no provision for advance pricing agreements.
Income tax compliance	The tax year is the calendar year. However, the income tax department will approve, on a case by case basis, requests seeking to change the tax year end. The annual taxable profit (or loss) is calculated by making certain adjustments to the annual accounting profit (or loss), as required by the tax legislation and after taking into account any available losses brought forward. Income tax returns should be filed within four months after the end of taxpayer's financial year. General corporate tax rate is 14 percent. Banking companies are taxed @ 30 percent. Insurance, telecommunications, stockbrokers, finance companies, currency exchanges are taxed @ 24 percent.

Indirect tax compliance	Most goods and services supplied for domestic consumption, by a General Sales Tax registered person, and goods imported into Jordan would be liable to General Sales Tax at the prevailing standard rate (currently 4 percent and 16 percent, as the case may be). General Sales Tax exemptions apply to financial services and letting-out of residential properties. A Nil rate of General Sales Tax applies to supply of exported goods and services in addition to certain goods locally purchased/imported. A registered taxpayer is ordinarily required to file a General Sales Tax return every two months. This compliance becomes every one month if the taxpayer is subject to special tax imposed on certain goods and services such as cars, cigarettes, alcohol and mobile phone services. Special taxes are imposed on certain categories of goods and services as stated in the Sales Tax Law. The tax rate varies from 6 percent to 102 percent. The General Sales Tax system is similar to the Value Added Tax system in terms of crediting the input General Sales Tax against General Sales Tax due. Stamp duties are charged on all agreements and contracts if presented in Jordan to any local authority or court @ 0.3 percent or 0.6 percent, as the case may be.
Other tax compliance	Every person upon paying un-exempted income to a non-resident for services provided should withhold tax @ 7 percent. Such withholding tax is considered as final tax for the non-resident service provider. In addition, the payer is liable to remit 16 percent General Sales Tax, if it is a taxable transaction. Salaries and wages are subject to payroll tax and social security contributions.
Director's liability to tax	Director of a company is subject to income tax in Jordan for the remuneration received as director of a Jordan company. Where the remuneration is paid/payable to a non-resident director, withholding tax provisions may apply.
Double Taxation Avoidance Agreements (DTAA)	Jordan has executed DTAA with around 32 countries – Algeria, Azerbaijan, Bahrain, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Egypt, France, Hong Kong, India, Indonesia, Iran, Italy, Korea (Rep.), Kuwait, Lebanon, Malaysia, Malta, Morocco, Netherlands, Pakistan, Palestinian Autonomous Areas, Poland, Qatar, Romania, Syria, Tunisia, Turkey, Ukraine and United Kingdom.
Transfer price	There are no specific transfer pricing regulations in Jordan, although Jordanian tax laws include a general clause that requires related party transactions to be at arm's length.



Kuwait

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Regulatory/Legal

Setting up business

Generally, foreign ownership in Kuwait is restricted to a maximum of 49 percent.

The Foreign Direct Investment law allows foreign persons or entities to own up to 100 percent of the shares in a Kuwaiti company provided that the foreign investor is to undertake a permissible activity in a permissible sector. The Foreign Direct Investment Law No. 8 of 2001 has now been superseded by Law No. 116 of 2013 regarding promotion of Direct Investment in Kuwait.

The Direct Investment Promotion Law has created a new authority that will target both domestic and foreign capital and seek to dismantle barriers to investing in Kuwait.

Commonly used business entities

Foreign companies have the option to carry on business in any of the following forms:

- Through a joint venture
- By establishing a Kuwaiti Shareholding Company i.e.
  - Limited Liability Company (W.L.L.);
  - Closed Joint Stock Company; or
  - Public Joint Stock Company

In 2012, Companies Law was revised to include certain other forms of companies in Kuwait, including:

- General Partnership Company;
- Limited Partnership Company;
- Partnership Limited by Shares;
- Professional Services Company;
- Single Person Company; and
- Holding Company.

Under Law No. 116 of 2013, the Foreign Direct Investment Law (not in force yet), a foreign company that intends to carry on business activity but does not wish to incorporate a company may carry on business under the sponsorship of a Kuwaiti registered agent or sponsor.

Main legal formalities for the formation of a company or registration of a branch

Shareholding companies incorporated in Kuwait are regulated by Commercial Company Law of 1960 which put various restrictions on the minimum amount of share capital, number of shareholders and business sectors available to different kinds of companies formed under the law.

A joint venture has no separate legal existence under Commercial Companies Law. Joint venture associations can be formed only by natural persons, therefore foreign entities interested in setting up joint venture associations will have to nominate an individual to act on their behalf. The agency agreement should be registered with the Ministry of Commerce and Industry.

Currency/monetary restrictions	Currently, there are no foreign currency restrictions in Kuwait.
Regulatory requirements for Financial Services	Financial services companies are generally governed, licensed and regulated by the Central Bank of Kuwait. These companies need be either Closed Joint Stock or Public Joint Stock in nature.

Accounting/Finance for companies and Kuwait branches of foreign companies

Financial statements	Annual financial statements must be prepared under International Financial Reporting Standards for all incorporated companies. No statutory filing of audited financial statements to the Ministry of Commerce and Industry is required for foreign branches. Therefore, foreign branches have the option in respect of tax to either file accounts prepared based on International Financial Reporting Standards or audited income statements and balance sheet prepared for tax purpose only.
Audit requirements	Foreign companies who are filing tax declarations on an 'actual basis' are required to either file accounts prepared in accordance with International Financial Reporting Standards or audited income statement and balance sheet prepared for tax purposes only. In accordance with Article 13 and 15 of the Executive Bylaws of Law No. 2 of 2008, the following books and financial records are required to be maintained by corporate bodies: • Balance sheet and profit & loss; • Trial Balance; • General Ledger; • Contracts; • Supporting Documents like invoices, vouchers, custom clearance document, payment advices etc.; • Stock record showing quantity and value for each item of stock; and • Fixed assets register showing purchase date, its cost, addition, depreciation rate applied, written down value and addition and disposal for each item.
Requirements for foreign investors	A foreign investor is required to apply to the Ministry of Commerce and Industry for a license to commence business under the sponsorship of a Kuwaiti individual or company. In addition a foreign company is also required to register with Kuwait Tax Authority (KTA) within 30 days of starting the activity or signing the contract.
Book year/accounting currency	The choice of accounting year depends on the entity. KTA does not set the accounting year for entities. A taxpayer may select any accounting year with the approval of KTA. Duration of first accounting period can be up to eighteen months, with prior approval of KTA. An entity may keep its books of accounts in any currency. In practice, net taxable profit is calculated in the same currency as that of books of accounts and using the average declared by Central Bank of Kuwait (CBK), it is then converted to Kuwaiti Dinars for determination of the tax liability. However, KTA requires foreign entities to submit tax declaration in Kuwaiti Dinars.
Format	Generally, financial statements for Kuwaiti companies are prepared in accordance with International Financial Reporting Standards under local currency. However, foreign companies operating under sponsorship structure have the option in respect of tax to either file accounts prepared based on International Financial Reporting Standards or audited income statement and balance sheet prepared for tax purpose only.

Tax

Approval requirements	Approval is not required from KTA for setting up a business. However, an application for tax registration with KTA should be submitted within thirty days from the date of starting the activity or signing the contract.
Advance tax rulings/Advance pricing agreements (APA)	In line with the practices adopted of KTA, it is practically very difficult to obtain advanced tax rulings.
Income tax compliance	Income tax compliance is governed by Amiri Decree No. 3 of 1955 and the new Tax Law No. 2 of 2008 along with its Executive Bylaws and circulars (collectively the income tax law). The income tax law is applicable only to foreign entities carrying on trade or business in Kuwait and is not applied, in practice, to Kuwaiti entities or Gulf Cooperation Council (GCC) countries. Tax liability of foreign companies investing in Kuwait for the fiscal years commencing after 3rd February 2008 shall be calculated at flat 15 percent tax rate on net taxable profit. This has replaced a range of progressive tax rates of 0- 55 percent under the previous tax law. The income tax law does not define a permanent establishment for companies operating in Kuwait. Accordingly, foreign companies earning Kuwait sourced income are subject to tax in Kuwait. Furthermore, under the current practices of KTA even a single day's visit of the company's official to Kuwait creates a taxable presence for a foreign company in Kuwait. In cases where a contract provides for services in Kuwait, the entire contract, including income from supply of material/equipment to Kuwait and services provided outside Kuwait would be considered subject to tax in Kuwait. Royalties/licence fees earned from Kuwait are subject to tax irrespective of physical presence of the brand owner in Kuwait. **Retentions** Ministry of Finance enforces tax retention regulations. Ministerial Order (MO) 44 of 1985, Articles 16, 37 and 39 of the Executive Bylaws of Law No. 2 of 2008 (the tax retention regulation) require contract owners to retain 5 percent from payments to contractors / subcontractors or any beneficiary and to release tax retention only on the provision of a Tax Clearance Certificate (TCC) obtained by the beneficiary from KTA. Article No. 39 of the Executive Bylaw to Law No. 2 of 2008 states that the violating contract owner can be held responsible for paying taxes otherwise payable by the contractors / subcontractors or any beneficiary. In addition to the above, KTA has been issuing letters to non-listed Kuwaiti companies instructing such Kuwaiti companies to retain 5 percent from profits distributed (i.e. dividend) to foreign shareholder. While not enforced in the past, KTA would enforce 5 percent retention on dividends and any other amounts paid to shareholders in Kuwaiti entities. The amounts should be kept in Kuwaiti company's books until the shareholder obtains a TCC from KTA for each individual year. TCC is obtained from KTA following submission of tax declarations, completion of the tax inspection process and settlement of tax, as stated in the final tax assessment for each year. KTA continuously reviews and changes its practices with respect to tax retentions and other tax matters, which are at times enforced retroactively. **Capital Gains** Gains derived by a foreign company on the disposal of assets and shares are taxable as normal business profits. However, capital gains derived by a foreign company from mere trading in shares listed on Kuwait Stock Exchange (KSE) (provided no other activity or presence in Kuwait) are exempt from tax.

Income tax compliance (Cont'd)

Dividend tax

A cash dividend received by any foreign entity as a result of investment in KSE is subject to 15 percent corporate income tax. According to the current regulations, local custodians, and fund's managers are required to deduct 15 percent tax on cash dividends prior to forwarding dividends receipts to beneficial owners.

The following procedural requirements have been introduced by the KTA:

- Registration of investment funds and direct investment

  The KTA has issued through Executive Rule No.18, forms for the registration of investments in securities listed on the Kuwait Stock Exchange under various structures (e.g. through custodians, portfolio managers or direct investment).

- Cessation of activity or change in the portfolios and direct investment

  Executive rule No. 19 requires investment fund managers or custodians managing portfolios of incorporated bodies to notify the tax authorities of any changes to the information included in the registration form, if the corporate body ceases activities or there is a change in ownership. The notification must be made within 30 days of the date such change occurred.

  In addition to the above, income resulting from money lending is now taxable in Kuwait under Law No. 2 of 2008. However, further clarification are still required from the KTA on the implementation of these provisions in the tax law.

  Please note that there is currently no Kuwait income tax imposed on individuals

Zakat

Kuwaiti shareholding companies are required to pay Zakat @ 1 percent of net profits.

KTA, by reference to Ministerial Order (MO) No. 3 of 1989, concerning equality between citizens of Kuwait and GCC in terms of tax matters, now requires non-Kuwaiti GCC companies with activities in Kuwait to register for Zakat and file annual Zakat declarations. KTA has become very active in this respect and has issued official letters to such entities.

In light of the above, a number of GCC companies are in process of filing past Zakat declarations, dating from 2007 - the first year when Zakat law came into effect.

In the past, KTA was accepting exemption of share of profits attributable to Kuwait Government for levy of Zakat. However, under the revised practices KTA is levying Zakat on the entire income i.e. including share of profits attributable to Kuwait Government.

We however understand that wholly owned Kuwait Government entities are still exempt from Zakat. Although a formal clarification is still awaited from KTA on this matter.

National Labour Support Tax (NSLT)

According to Law No. 19 of 2000, all public Kuwaiti shareholding companies listed on the KSE are subject to NLST @ 2.5 percent of their annual net profit, excluding share of profits attributable to a foreign body corporate and after certain allowable deductions.

Indirect tax compliance

Sale tax/Value Added Tax (VAT) is currently not levied. The Kuwaiti Government has proposed the introduction of Value Added Tax in line with other GCC countries. However, the precise introduction and implementation date has not been confirmed as this is still at discussion stage.

Goods imported are subject to customs duty @ 5 percent of the invoice/assessed value of the goods.

Other tax compliance

Taxpayers are required to submit 'tax declaration' to KTA on or before the fifteenth day of the fourth month following the end of taxable period.

Taxpayers have a choice to pay the amount of income tax due either in one lump sum payment along with the tax declaration filing, or in four equal instalments. The instalments shall be due on or before the fifteenth day of the fourth, sixth, ninth and twelfth month, respectively, following the end of taxable period.

In certain circumstances it is possible to obtain an extension of up to a maximum of 60 days for the purposes of filing tax declaration. Where such an extension is granted, no tax payment is necessary until the declaration is filed.

The tax law requires that a tax declaration must be prepared on an 'actual basis' by maintaining proper books of accounts for Kuwait operations. However, in practice, tax declarations may be prepared on a 'deemed profit' basis which has been accepted by KTA.

The profit percentage currently applied by KTA for companies in a similar line of business ranges from 30 percent to 40 percent of the resultant taxable profit. KTA may apply an aggressive approach against companies who do not comply with requirements of Circular 1 of 2014 (Circular), resulting in a higher deemed profit percentage being applied and potential delay in completion of tax assessment.

Failure to file tax declaration by the due date results in a penalty @ 1 percent of tax as per the final tax assessment for each period of 30 days or fraction thereof until the tax declaration is filed. In addition, failure to pay tax by the due date results in an additional penalty @ 1 percent of tax for each period of 30 days or fraction thereof from the due date to the date of settlement.

The tax law provide for a statute of limitation for 5 years from the time KTA become aware of income earned by foreign companies in Kuwait. KTA argues that such statute of limitation does not apply where the taxpayer has not filed tax declaration. In such instances KTA could levy tax and penalties right from the commencement of activities of such taxpayer in Kuwait.

A key additional requirement introduced by the Circular is that companies which file their tax declaration on an actual basis are also required to formally submit a report to KTA within 3 months of submitting the said tax declaration. The report should provide a computation of tax and incorporate the adjustments applied by KTA in its most recent tax assessment (provided it is for 2009 or later) of the company.

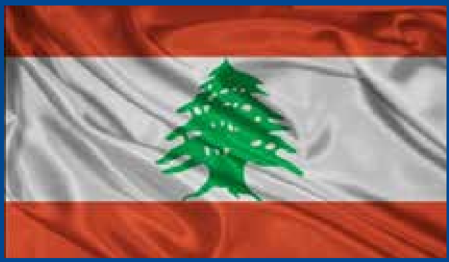
Following the tax inspection, an assessment letter is issued. If additional taxes are assessed, foreign body corporate has the option of either paying the additional taxes and obtain a TCC from the MOF or contest the assessment by submitting an objection letter within 60 days from the date of the tax assessment letter. If the tax objection is not satisfactorily resolved within 90 days of submitting the objection letter, the foreign body corporate has the right to have its case heard by an Appeals Committee.

Tax appeal has to be filed within 30 days from the date of issuance of the tax department's letter in response to the tax objection. In case no response is received from the tax department; the tax appeal has to be filed within 30 days after the end of the 90 day period from the date the objection letter was filed. If the foreign body corporate is not satisfied with the decision of Appeals Committee, it has the option to refer the case to civil courts.

Director's liability to tax

There is no specific liability on the director under the tax laws. However, any person responsible for misstatement, on conviction, may be liable to imprisonment of 2 years or to a fine or both.

Double Taxation Avoidance Agreements (DTAA)	Kuwait has executed DTAA with a number of countries in which 'permanent establishment' has been defined. Accordingly, taxpayer may avail treaty benefits by applying the beneficial provisions. However, taxpayer is still required first to file a tax declaration and thereafter claim treaty protection. The countries with whom Kuwait has executed DTAA are Algeria, Austria, Belgium, Bulgaria, Canada, China, Germany, Greece, Hungary, India, Iran, Italy, Japan, Lebanon, Malaysia, Netherlands, Portugal, Russia, South Africa, Spain, Tunisia and Yemen to name a few.
Transfer pricing	There are no explicit transfer pricing regulations in Kuwait for governing related party transactions and/or transactions made outside Kuwait (such as cost incurred from head office, related parties and third parties). However, in practice KTA closely scrutinizes all inter-group transactions in the course of tax inspection. Accordingly, KTA would disallow a portion of inter-group transactions and/or transactions made outside Kuwait if it does not consider such transaction to be at arm's length, based on guidance provided in the Executive Rules issued by KTA.



Lebanon

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Regulatory/Legal

Setting up business

Lebanon has traditionally been open to foreign direct investment. A foreigner, establishing a business in Lebanon, is subject to substantially the same regulations applicable to a Lebanese national, although special rules and regulations come into force in relation to acquisition of land and ownership of shares in Banks.

Commonly used business entities

The common types of corporate entities are:

- Joint stock company (Société Anonyme Libanaise – SAL)
- Limited Liability Company (Société à Responsabilité Limitée – SARL)
- Holding and offshore companies
- Representative office and Branch office of foreign companies

Main legal formalities for the formation of a company

Joint Stock Company (SAL)

A joint stock company may engage in all forms of legal business activities. It must have at least three members (who are its shareholders) and capital of Lebanon Pound (LBP) 30 Million, with at least 25 percent paid-up. Shareholders are liable only up to the nominal value of their shares.

There are no restrictions on foreign participation in joint stock companies, except for certain restricted sectors that have specific requirements on the percentage shareholding of Lebanese nationals for example:

- Joint stock companies managing a public sector
- Joint stock companies engaging in media, commercial representation, real estate and other specially regulated industries

In all SAL companies, a majority of the board of directors must be Lebanese citizens.

Limited Liability Company (SARL)

Members of a limited liability company are partners who are liable only to the extent of their parts, they may be foreigners, with the exception of companies seeking to engage in commercial representation.

The company's capital is divided into parts rather than shares.

Limited liability companies may not be active in certain sectors of the economy, such as in insurance, banking, fund management, or air transportation.

A limited liability company is managed by one or several directors (managers) who may or may not be selected from among the partners.

Holding Companies

Holding companies are exempt from the requirement to have Lebanese citizens or corporations on its board of directors. In addition a non-Lebanese chairman of a holding company is exempt from the requirement of a work permit.

The principal purpose/objective of a holding company is share ownership in SAL and/or SARL, managing companies in which it holds shares and lending to companies in which it holds 20 percent or more of share capital.

Main legal formalities for the formation of a company (Cont'd)	**Offshore Companies** A Lebanese offshore company is defined by Legislative Decree no. 46 as a Lebanese joint stock company (SAL) that engages exclusively in: • Negotiation and conclusion of agreements concerning goods and products located outside Lebanese territory or in Lebanese Free Zone • Offering studies and consultations for the benefit of foreign institutions • Using free zone facilities in order to stock imported goods for re-export • Buying or renting real estate in Lebanon to the extent they are necessary for its operations Decree no. 19 dated 5 September 2008 amended the offshore companies' regulations and enlarged the scope of offshore companies' activities, mainly to include in addition to the above: • Administration of companies/institutions outside Lebanon, including export of services, software of any kind to such companies/institutions • Doing activities related to maritime shipping • Acquiring shares in foreign corporations, companies or institutions • Opening branches and representative offices abroad The minimum capital requirement is the same as for joint stock companies, although it can be denominated in a foreign currency. Offshore companies follow the same regulations as holding companies regarding appointment of directors. **Representative Office** Foreign companies undertaking marketing and promotional activities may register a representative office. Representative offices must register with the Ministry of Economy and Trade and the Ministry of Finance (MoF). Representative offices are not subject to corporate tax, as long as they do not trade in Lebanon. However, representative offices are required to submit an annual declaration form to MoF according to instructions no. 4068 dated 23 December 2011. **Branch** Branch is also one of the forms of entities that can be established in Lebanon.
Currency/monetary restrictions	Lebanon has liberal codes for capital and money market transactions with no restrictions on either inflows or outflows. The country has an open foreign exchange market, full currency convertibility and unrestricted repatriation of capital.
Regulatory requirements for Financial Services	Banks and financial institutions are closely monitored by the Central Bank of Lebanon (CBL) and Banking Control Commission (BCC), in addition to their compliance with MoF. These two bodies issue circulars and instructions to banks and financial institutions, such as liquidity requirements, money laundering requirements, solvency requirements and other related matters. There are several reports, including balance sheet and income statements and other statistical reports that should be submitted to CBL and BCC on a monthly, quarterly, semi-annual and annual basis.

Accounting/Finance for companies and branches of foreign companies

Financial statements	Ministerial Decree no. 8089 (1996) requires annual financial statements to be prepared in accordance with International Financial Reporting Standards. These statements consist of: balance sheet, profit and loss account, cash flow statement, changes in equity statement, and notes to the financial statements.
Audit requirements	Audited financial statements must be submitted annually for approval by the general meeting of shareholders. Financial statements must be accompanied by a directors' report and by an auditor's report issued by an independent auditor. The auditor must be registered with Lebanese Association of Certified Public Accountants. Audited financial statements along with the auditor's report must be submitted annually to MoF and within 8 months of the end of company's fiscal year.
Requirements for foreign investors	Foreign investments are not subject to any special requirements except for certain regulated industries and sectors.
Book year/accounting currency	The fiscal year ends on 31 December and generally covers 12 months. However, companies can adopt a different fiscal year in conformity with its group financial reporting period. Limited liability companies and branches of foreign companies must submit all financial statements with the MoF within 8 months of the end of fiscal year. Financial statements can be prepared in the company's functional currency, which may be different from the local currency.
Format	Ministerial Order no. 1/6258 (1996) requires that companies present audited financial statements in conformity with International Financial Reporting Standards and provide a true and fair view of the financial position and performance of the company. Financial statements may be presented in English, unless otherwise requested by MoF.

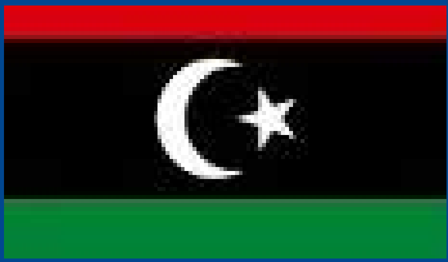
Tax

MoF is in process of establishing new tax laws connected with the oil & gas sector in Lebanon. Our understanding is that MoF will recommend a different treatment for such companies, whether related to income tax or value added tax (VAT). MoF is also in process of establishing a unified Income Tax Law.

Law no. 248 dated 15 April 2014 stipulates for exemption of profits resulting from industrial exports of Lebanese origin by 50 percent of due income tax. Certified country of origin documentation is used as a proof and customs forms are used to confirm the value of the exports. Entities investing in resources that are available underground are excluded from this law, as well as entities suggested by both, the Ministers of Industry and MoF. The application of this law is to be issued later through a decision from MoF.

Approval requirements	A business must notify MoF and obtain a tax number within two months of incorporation.
Advance tax rulings/Advance pricing agreements (APA)	MoF has been more inclined in recent years to provide written interpretation of tax legislations.
Income tax compliance	All legal entities whether individuals, partnerships or companies are liable to income tax on their income/profits derived in Lebanon. The tax year is usually referred to as the 'income year' or 'year of income' and it covers the period from 1 January to 31 December. Taxable income is computed by reference to the accounting profit before tax with adjustments prescribed by tax laws and regulations. Companies are subject to a 15 percent tax rate on profits. Dividends are subject to a withholding tax of 10 percent. Non-bank interest is subject to 10 percent tax whereas bank interest is subject to 15 percent tax. Tax returns for both joint stock companies and limited liability companies must be filed within 5 months of the fiscal year end.

Income tax compliance (Cont'd)	Holding companies enjoy tax advantages in that they are exempt from tax on profits and distribution of dividends to shareholders. Holding companies remain subject to other tax provisions including: • A flat tax (that varies depending on the company's capital and reserves) capped at LBP 5 Million annually; and • A 5 percent tax on management fees collected from affiliated corporations, provided that such fees do not exceed 2 percent of the total revenue of affiliates. Offshore companies enjoy certain tax advantages and are subject to a lump sum yearly tax of LBP 1 Million. Branch is subject to corporate income tax of 15 percent on taxable profits and a deemed distribution tax of 10 percent on taxable profits less corporate income tax. Effectively, Branch is subject to tax rate of 23.5 percent.
Indirect tax compliance	**Value Added Tax (VAT)** A taxable person is any person (individual, company or partnership) who makes taxable supplies (standard rated at 10 percent) and zero rated supplies under the Value Added Tax Law, as long as the turnover of four consecutive quarters exceeds LBP 150 Million, starting 1st January 2005. Businesses may register for Value Added Tax voluntarily when taxable supplies are below registration thresholds. Value Added Tax should be declared quarterly, 20 days after the end of each quarter. Banking and financial services provided only by banks, financial institutions and similar intermediary entities authorized under a license from CBL are exempt from Value Added Tax. Financial services provided by a Lebanese holding company can also benefit from this exemption such as: • sale of shares/parts in its resident and non-resident subsidiaries • interest resulting from loans given to its subsidiaries The other activities of banks, financial institutions and holding company remain subject to VAT. **Stamp Duty** Lebanon charges stamp duty on many legal documents and agreements. All deeds and written materials, which mention a specific sum of money, are subject to proportionate stamp duty of 0.3 percent of the contract amount.
Other tax compliance	**Capital Gains Tax** Profits realized from disposal of fixed assets and/or sale of parts is subject to 10 percent capital gains tax. Companies may carry out a revaluation of its fixed assets. The revaluation surplus is also subject to 10 percent tax if the amount is recognized in the profit and loss. **Payroll Tax** Salaries, wages and benefits, paid to local and expatriate employees, are taxed at escalating rates from 2 percent to 20 percent. Taxes are paid quarterly. **Non-Resident Tax** Non-residents are subject to 7.5 percent tax on services rendered.
Double Taxation Avoidance Agreements (DTAA)	Lebanon has executed DTAA with many countries such as Algeria, Armenia, Bahrain, Belarus, Bulgaria, Cyprus, Czech Republic, Egypt, France, Iran, Italy, Jordan, Kuwait, Malaysia, Malta, Morocco, Oman, Pakistan, Poland, Qatar, Romania, Russia, Senegal, Sudan, Syria, Tunisia, Turkey, Ukraine, UAE and Yemen.
Transfer pricing	Although there is no specific Transfer Pricing law, there are specific requirements introduced by the Tax Procedure Law no. 44 in relation to treatment of related party transactions from a Lebanese perspective. As part of this introduction, form and substance are acknowledged as well as certain fair market value concepts for evaluating such related party transactions.



Libya

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Regulatory/Legal

Setting up business

The Investment Law of 2010 allows private sector and foreign investors to invest in several economic activities including healthcare, tourism, telecom, education, manufacturing, agriculture, oil related services. The Investment law offers exemption from corporate tax, customs duty, and certain types of stamp duty for a five year period which, subject to conditions, may be extended for further three years.

Application regarding establishment of an investment project should be submitted to Privatization and Investment Board (PIB). PIB is responsible for dealing with all matters relating to the investment regulations, including issuance of licenses to foreign investors and fixing the effective date of exemption.

According to the Decision of Minister of Economy no. 207/2012 concerning participation of foreigners in companies, branches and representation offices in Libya, participation of foreigners in a joint venture company shall not exceed 49 percent throughout its duration. However, the participation of foreign partner may, by virtue of a causative decision by Ministry of Economy, for special consideration related to the nature of activity or its location, artistic or technical requirements, exceed the mentioned share, provided that it shall not exceed 60 percent.

It is prohibited for foreign investors to incorporate joint venture companies to practice some activities that are limited to Libyan individuals (retail and wholesale trade, importation, accounting).

Specific activities are governed by specific laws (oil & gas, banking, and free zones).

Commonly used business entities

The joint venture companies shall take the form of a joint stock company or a limited liability company, albeit for specified activities.

Foreign companies can open branches in Libya in specified fields and for a period of five renewable years.

Foreign company, not in possession of a branch or a joint venture company in the required field, can open a representation office in Libya for a period of two years. This is renewable, once, for the same period and for the sole purpose of looking after the company's interests (market studies). The representative office should not engage in any business activities.

Main legal formalities for the formation of a company or registration of a branch

Establishment of a joint stock company, a limited liability company or a branch in Libya requires a license from the Ministry of Economy, as well as Commercial Registration Number.

There are certain procedures required for the setting up of a company / branch in Libya including minimum amount of share capital. The minimum share capital of a joint stock company is Libyan Dinar (LYD) 1 Million, at least 30 percent of which must be fully paid-up upon incorporation, with the remainder being paid within 5 years of incorporation. However, during the incorporation period either the joint stock company's paid-up capital or one third of the authorized and issued capital should not be less than LYD 1 Million, whichever is greater. Limited liability company's capital shall not be less than LYD 50,000.

The minimum value of an investment project under the Investment Law of 2010 should amount to LYD 5 Million. Foreign participation is made in foreign currency.

The minimum allocated for opening a branch in Libya is LYD 250,000.

Currency/monetary restrictions	Local currency is the Libyan Dinar (LYD). Foreign exchange transactions shall be conducted through banks and entities licensed for this purpose by the Central Bank of Libya. Each natural or legal person may retain the foreign exchange he/it owns, holds, or is transferred to him/it, and may conduct any foreign exchange transactions, including transfers inside or outside the country. Banks operating in Libya may open accounts in foreign exchange for natural and legal persons, fed by: • Foreign currency deposits • Amounts transferred from broad • Amounts transferred from another local account in foreign exchange • The equivalent in foreign currency that banks accept to buy from foreign banknotes or the other means of payment in foreign currency credited to the account • The bank interest on the above-mentioned accounts • Any other legal channels Central Bank of Libya (CBL) normally requires the transferor to present supporting documents (e.g. a contract or invoice). CBL monitors the foreign currency balance based on reporting required from the financial institutions managing foreign currency reserves. CBL also imposes anti-money laundering compliance rules. Dividends' transfer is subject to CBL authorization and, in certain operations, additionally to a report which has to be signed by an auditor (certified public accountant).
Regulatory requirements for Financial Services	Banks, foreign exchange dealers and wire transfer agencies are regulated by CBL. Insurance companies are regulated by the Insurance Supervision Regulatory (ISR).

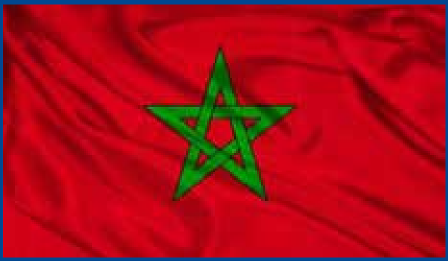
Accounting/Finance for companies and branches of foreign companies

Financial statements	Branches and Libyan companies are required to attach audited financial statements to their annual tax declaration, which is due four months after the fiscal year closing. Libya has no accounting or auditing standards. International Financial Reporting Standards is typically applied by all foreign entities.
Audit requirements	An audit by a chartered accountant licensed in Libya is required for company financial statements. Two auditors are required for banks.
Requirements for foreign investors	Foreign and local investors are treated substantially the same under the law.
Book year/accounting currency	With very rare exceptions, all entities in Libya follow calendar year. Financial statements may be prepared in a functional currency other than LYD. However, for tax return purposes, the financial statements should be converted to LYD
Format	There are no specific prescribed formats for financial statements.

Tax

Approval requirements	All companies must register with the tax administration and obtain a tax identification number.
Advance tax rulings/Advance pricing agreements (APA)	There is no formal advance tax ruling system in Libya. Obtaining opinion on specific issues is possible in certain circumstances.
Income tax compliance	Income tax is declared and paid with the annual income tax declaration, due four months after the fiscal year closing. Four installment based payments are permitted, if the tax due exceeds LYD 100.

Income tax compliance (Cont'd)	Income tax is computed based on accounting profit before tax, with certain adjustments prescribed by the tax law and regulations. Corporate income tax rate is 20 percent. A surtax of 4 percent is due, in addition to the income tax. Further, stamp duty of 0.5 percent is also levied on corporate income tax amount. Dividends are not taxed in Libya. Tax audit is a common practice. In case the tax authority does not accept the tax declaration, they will assess the taxable profit on either adjusted tax profit or a deemed profit base. Head office cannot allocate overhead to the branch in excess of 5 percent of the branch's administrative expenses, as approved by the tax authority.
Indirect tax compliance	**Value Added Tax (VAT)/General Sales Tax** There is no Value Added Tax or General Sales Tax in Libya. **Stamp duty** Stamp duty is either fixed or relative and is imposed on papers, documents, printed matter, notices, registers and other legalized documents in writing, as well as on dispositions, declarations, transactions and other matters and events in accordance with the provisions of the Law No. 12 of 2004 as amended, in the manner and at the rates set out in the schedules to the law. Stamp duty tax shall become due when establishing documents, completing dispositions or transactions, or when the dutiable act takes place. If the document or disposition was established abroad, duty shall become due when it is used in Libya. Stamp duty shall become due in case of verbal contract when it is auctioned in front of an official authority. Duty shall be paid by the person auctioning it. The most important acts and transactions are the following: • Service and work contracts which the company signs with its clients (1 percent). • Lease rent contract (1 percent). • Company purchases of material and supplies (1 percent). • Company purchases of cars, trucks, and similar movables (2 percent). • Letters of credit (0.2 percent). • Loan (1 percent). • Settlement of net salaries (0.5 percent).
Other tax compliance	**Withholding Tax** Income from work performed in Libya by non-residents is subject to tax in Libya. Income tax is due on payments to foreign service entities based on the deemed profit basis. **Payroll Tax** Salaries and wages are subject to withholding payroll tax and social security contributions. The first LYD 12,000 of income is taxed @ 5 percent (after tax exemption depending on marital status) and any income beyond this is taxed @ 10 percent. Social security contribution based on the gross wages / salaries is 3.75 percent for employee and 10.5 percent for the employer (11.25 percent in case of a foreign company). Expatriates are not subject to any different tax regime. They are subjected to income tax as if they were Libyan citizens i.e. according to the defined sliding scale and income brackets. Tax has to be paid on all incomes, directly or indirectly collected by foreigners from an entity established in Libya, irrespective of of their stay in Libya.
Director's liability to tax	Directors are subject to tax as employees on any remuneration paid to them.
Double Taxation Avoidance Agreements (DTAA)	Libya has executed DTAA with Egypt, France, India, Malta, Pakistan, Singapore, the Slovak Republic and the United Kingdom.
Transfer pricing	Although Libya does not have formal transfer pricing rules, the tax department has authority to assess the tax on a deemed profit basis under the general anti-avoidance provisions.



Morocco

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Regulatory/Legal

Setting up business

Investors can invest in any business activity which is not illicit under Moroccan law. Some activities are exclusively reserved to the Moroccan State (e.g. Military weapons), and others are subject to authorizations (e.g. pharmaceutical, broadcasting, banking, telecom).

Foreign companies and individuals can hold 100 percent of the share capital of Moroccan companies.

Commonly used business entities

There are two most common types of Moroccan companies, namely a limited liability company (Société à Responsabilité Limitée; SARL) and a limited company (Société Anonyme; SA). There is also the possibility of incorporating a branch.

The applicable taxation would apply to either an SA or SARL. There are a few differences with respect to the use of an SA versus an SARL - the main difference being that for an SARL no statutory audit is required where the annual turnover is less than approximately €5M.

The use of a branch by a foreign entity may be appropriate where the purpose of the branch is to provide administrative services (e.g. to collect commercial information) rather than to realize turnover. Should the branch generate turnover, then tax would apply (as it would for SA or SARL). The appointment of a statutory auditor is not mandatory for a branch.

Please note the following points:

- Minimum share capital required for an SA is approximately €30,000 but no minimum share capital is required for an SARL. No capital contribution is needed for the branch (the branch does not have a distinct juristic personality from the company which creates it).
- Foreign companies and individuals can hold 100 percent of the share capital of Moroccan companies (e.g. SA or SARL).
- There are no requirements to have Moroccan nationals or local resident directors or shareholders in companies or branches set up in Morocco. It is however recommended that a resident in Morocco be authorized, through a power of attorney (if not the manager or the president of the board), to act on behalf of the company or branch.
- According to the Companies laws for SA and SARL, in case the net equity of the company is less than 25 percent of share capital, the shareholders are required, within three months following the approval of the accounts, to decide whether to make an anticipated dissolution of the company. In case the dissolution is not decided, the company must, no later than the closing of the financial year following the year during which the losses has been made, decrease its share capital; unless the net equity exceeds 25 percent of share capital during this period (e.g. by profits or increase in the share capital). Otherwise the company can be dissolved by any interested party (e.g. supplier, employee, etc).
- In case of an SA, there is a requirement to have at least five shareholders.

Main legal formalities for the formation of a company or registration of a branch/liaison office or partnership	The setting up of an entity (i.e. a subsidiary or a branch) is subject to several formalities prescribed by Moroccan legislation, mainly: • Registration for the Professional Tax (to obtain a Professional Tax number) • Registration at the Trade Register (to obtain a Trade register number) • Registration for the corporate tax and value added tax (VAT) authorities (to obtain a Fiscal Identification number) • Registration with the Social Security Department; CNSS (to obtain a CNSS number) • In order to set up an entity in Morocco, the requisite documents/ information should be provided to the regional investment office (CRI) who would then assist with the registration of the company
Currency/monetary restrictions	Exchange controls are in place over Moroccan currency. Foreign investors can however freely invest into Morocco, transfer investment income derived from their investment and transfer disposal revenue from their investment, provided however, that the investment is carried out in foreign currency transferred to Morocco and is notified to the Foreign Exchange Office within 6 months following the realization of the investment.
Regulatory requirements for Financial Services	Financial services should be made in compliance with the provisions of Law No. 34-03.

Accounting/Finance for companies and branches of foreign companies

Financial statements	Morocco has rules in place to keep accounting books. A branch or a subsidiary of a foreign company set up in Morocco should comply with the Moroccan regulations and keep books in Moroccan Dirham (MD) according to the Moroccan rules provided by Law 9-88 and CGNC ("Code General de Normalisation Comptable"). These financial statements must be published with the court registry within thirty days from approval of annual general assembly for an SA or SARL, as the case may be. Please note that according to the provision of Article 1 of Law 9-88, accounting entries must be recorded chronologically, operation by operation and day by day. In Morocco, International Financial Reporting Standards is not mandatory except for banks and are applicable only for consolidated accounts, when this reporting form is chosen.
Audit requirements	The requirement for a statutory auditor is mandatory: • For a limited liability company (SARL) with turnover at the end of the financial year exceeding MD 50 Million (excluding VAT); and • For a limited company (SA) Please note that the annual audited reports are not required for tax filings.
Requirements for foreign investors	Branches of non-resident companies should comply with the general accounting rules as provided in the section above (see section on 'financial statements'). Under the provisions of the Moroccan tax code, non-resident companies which opt for flat rate taxation must keep the following registers: • Register of payments and transfers • Register, signed (approved) by the labour inspector, of wages paid to Moroccan and foreign personnel including related social expenses (e.g. social security) • Register of fees, commissions, brokerage and similar remunerations paid to third parties in Morocco or outside Morocco • According to the Moroccan tax code, entities taxable to Value Added Tax have to keep accounts which allow them to determine the turnover and the amount of Value Added Tax to be deducted or claimed

Book year/accounting currency	The accounting year end does not need to coincide with the calendar year. The accounting year period is 12 months. It may, exceptionally for a specified year such as the first year, be different - but it cannot exceed 12 months. Books should be kept in MD according to the Moroccan rules provided by Law 9-88 and CGNC (Code General de Normalisation Comptable). Also, books and financial statements must be prepared in local language (Arabic or French).
Format	Companies must establish, at the end of each financial year, annual financial statements (i.e. annual accounts, balance sheet, profit and loss statement, cash-flows statements; statement of management balances; disclosures notes (ETIC) in accordance with Law 9-88 and CGNC (Code General de Normalisation Comptable). According to the provision of Law 9-88 regarding the accounting obligations of traders, companies must hold a ledger and inventory book. Other legal books which must be maintained by Moroccan companies are as follows: • Holiday book (livre de congés) (labour code) • Payroll book (livre de paie) (labour code) • Register of shareholders and of transfer of shares (registre de transfert des actions) (for public limited company (SA)) • Shareholder's meetings book • Board of Directors' meetings book Legal books must be signed and stamped by the clerk of Commerce Court of the company's headquarter. Please note that other legal books and registers related to the labour code must also be kept (depending on the number of employees).

Tax

Approval requirements	Tax registration is an integral part of the incorporation process in Morocco. The company should register for professional tax (to obtain a professional Tax number), corporate tax and value added tax (to obtain a Fiscal Identification Number) and with the Social Security Department; CNSS (to obtain a CNSS number).
Advance tax rulings/Advance pricing agreements (APA)	Advance tax rulings/Advance pricing agreements are not available in Morocco.
Income tax compliance	Moroccan companies or branches of foreign companies are required to file their tax return by end of the 3rd month after financial year end and pay any remaining tax due within this same period. Moroccan branches of foreign companies are also obliged to make four provisional tax payments by the end of each quarter of the financial year, each payment being equal to one fourth of the previous year's tax liability. Moroccan companies or branches of foreign companies can electronically file their tax returns. Since 1st January 2011, electronic filing is mandatory for companies with an annual turnover equal to or exceeding MD 50 Million. The taxable income is determined from the financial statements held according to Moroccan GAAP with some adjustments according to the Moroccan tax code. Operating expenses are generally deductible unless excluded by the Moroccan tax code. The standard corporate tax rate is 30 percent. Under the Moroccan tax code, final losses arising from normal business activities of the company are deductible from the profit of the next financial year. Losses may be carried forward for 4 years. However, depreciation excluding depreciation on non-value assets (e.g. deferred expenses) relating to a loss-making period (up to the amount of loss) may be carried forward indefinitely and set off in subsequent years. The tax authorities do not issue assessments. However, the tax authorities have the right to carry out a tax audit for a period of four years and to assess the taxpayer to any additional tax (the non-barred period may be extended in case of tax losses).

Indirect tax compliance

Value Added Tax is levied on industrial, commercial, hand-made or professional transactions carried out in Morocco as well as on import transactions.

A transaction is deemed to have been carried out in Morocco when:

- In case of a sale of goods, delivery is taken within Morocco; or
- In case of all other activities, the services provided, the item leased or the right sold are used within Morocco.

Value Added Tax rates in force are as follows:

- Value Added Tax common rate is 20 percent; and
- Reduced Value Added Tax rates of 7 percent, 10 percent and 14 percent are available for some goods or services.

Taxpayers are assessed on either a monthly or quarterly basis, depending on their turnover.

According to the Moroccan tax code, services rendered or items rented by a non-resident company are subject to Moroccan Value Added Tax when they are exploited or used in Morocco. This obligation should be fulfilled by either a representative of non-resident company or by its client.

Investments intended to be recognized within assets of a company performing taxable/exempted operations, with the right of Value Added Tax deduction, can be acquired with Value Added Tax exemption within the first 24 months from the start of the business operations, subject to some requirements.

Other tax compliance

Withholding Tax

There is 15 percent withholding tax on dividends or after tax profits paid, recognized in the accounts or made at the disposal of individuals/companies, whether or not such individuals/companies have their headquarter or tax residence in Morocco, subject to the provisions of applicable tax treaty.

Interest and gross remunerations for royalties or services paid, recognized in the accounts or made at disposal of non-residents are subject to withholding tax @10 percent, subject to the provisions of applicable tax treaty.

Registration Fees

In Morocco, some deeds are subject to registration fees. The payment of such registration fees is due within 30 days from the deed's date.

Moroccan Social Security ("CNSS")

Social Security contributions are payable on the employee's wages, by both the employer and employee. The CNSS contributions are withheld by the local employer on a monthly basis.

Professional Tax

Professional tax applies to entities that carry on professional, industrial or commercial activities in Morocco. Professional tax is determined on the basis of the gross rental value of the premises used. Professional tax is levied on the rental value at a rate of 10 percent, 20 percent or 30 percent, depending on the type of business or activities carried on.

An exemption from professional tax is in place for the first five years from the start of activities. Professional tax is annually assessed by the tax authorities and tax bill is sent to the taxpayer.

Other tax compliance (Cont'd)	**Communal Tax** Communal tax applies to land & buildings and equipment and is levied on the rental value, as ascertained for professional tax or the property tax as the case may be. Communal tax is established on the rental value: • @ 10.5 percent for buildings located in the perimeter of urban communes, and delimited centers. • @ 6.5 percent for buildings located in the peripheral zones of urban communes. Communal tax is annually assessed by the tax authorities and tax bill is sent to the taxpayer.
Director's liability to tax	**Resident individuals** • For an employee: special allowances and any other payments received by an employee for work carried out, together with costs that he incurred as a director of a company are subject to income tax at the progressive rate. • For non-employee: remunerations paid to a non-employee individual of the company, appointed as an administrator, in relation to the services rendered are considered as salaries subject to withholding tax (under income tax on salaries) @ 30 percent, subject to the declaration in the annual income tax return of the individual. **Non-resident individuals** • Directors that are non-resident individuals are subject to 10 percent withholding tax on the remuneration received by them in return for their services, subject to the provision of applicable tax treaty.
Double Taxation Avoidance Agreements (DTAA)	Morocco has concluded DTAA with many countries, such as Arab Maghreb Union, Austria, Bahrain, Belgium, Bulgaria, Canada, China (People's Rep.), Croatia, Czech Republic, Denmark, Egypt, Finland, France, Gabon, Greece, Germany, Hungary, India, Indonesia, Italy, Ireland, Jordan, Korea, Kuwait, Latvia, Lebanon, Luxembourg, Macedonia, Malaysia, Malta, Netherlands, Norway, Oman, Pakistan, Poland, Portugal, Qatar, Romania, Russia, Spain, Switzerland, Syria, Turkey, Ukraine, UAE, United Kingdom, United States of America and Vietnam. The major trading partner of Morocco is the European Union.
Transfer pricing	• Transfer pricing rules provided by the Moroccan tax code aim to adjust the buying and selling prices applicable to transactions concluded between companies that are directly or indirectly connected to enterprises situated inside or outside Morocco. • To determine the amount to be included in the taxable profits and/or to the turnover, Moroccan tax administration will make comparisons with other similar companies or by means of direct assessment based on information available to the tax authorities. • For transaction performed with companies located outside Morocco, the Moroccan tax administration can request the company subject to income tax in Morocco to provide the following information: – Nature of relationship between the Moroccan company taxable in Morocco and companies located outside of Morocco – Nature of services rendered or products sold – Transfer pricing method used to determine price of the transactions performed between these companies and the elements justifying choice of the method – Tax regime and corporate tax rates of companies located outside Morocco

Oman

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Regulatory/Legal

Setting up business

As a matter of policy, the Government of Oman welcomes foreign investment into the country. Oman is one of the very few Gulf countries which permit majority foreign participation (up to 70 percent) in local companies.

A new income tax law (Income Tax Law No. 28/2009) became effective on 1 January 2010 and notably equalized the tax rates applying to foreign and local entities, and, in doing so, provided a level-playing field for foreign companies wishing to invest in Oman. Further, Executive Regulations came into force on 29 January 2012, providing guidance on how certain provisions in the new income tax law should be applied.

There are usually no restrictions on setting up of business in Oman. However, the Ministry of Commerce and Industry (MOCI) has recently issued additional guidelines for setting up companies in Oman pursuant to the Foreign Capital Investment Law (FCIL). The new guidelines require foreign companies wishing to hold shares in an Omani company to be incorporated for a minimum period of three years, and provide evidence for this, i.e. an authenticated or apostilled copy of company's articles of association and certificate of incorporation. The new guidelines also require submission of foreign company's latest audited accounts, to demonstrate its financial standing.

There is a prescribed list of businesses that require a specific license or permit to operate. This includes areas such as banking and finance, tourism, telecommunication, industrial factory, food and beverages establishment, schools and hospitals, and employment agencies.

Commonly used business entities

The popular forms of doing business (apart from individuals carrying on business as a proprietorship) are as a:

- Foreign Branch
- Locally Incorporated Company
- Partnership
- Joint Venture
- Consortium

Foreign enterprises can also set up representative offices. However, their permitted business scope is very limited.

Main legal formalities for the formation of a company or registration of a branch

A new entity should be registered with MOCI and Oman Chamber of Commerce and Industry (OCCI).

Foreign Branch

A foreign company is allowed to carry on business in Oman in the form of a branch only if:

- The project is carried out under a contract or agreement with the government (or a quasi-government organization), or is established by a Royal Decree; or
- The project is declared by the Cabinet of Ministers as necessary for the country.

A Branch registration is valid only for the duration of the qualifying project. The main advantage offered by a branch structure is that it enables a foreign company to retain 100 percent of the business, and undiluted control of its operations and assets.

Main legal formalities for the formation of a company or registration of a branch (Cont'd)	**Locally Incorporated Company** The following are the three forms of a locally incorporated company: • Limited liability company (LLC) • Closed Joint Stock Company (SAOC) • Publicly held Joint Stock Company (SAOG) The most common form of company in Oman is an LLC A foreign company is currently allowed to hold up to of 70 percent of share capital in an Omani company. Higher ownership is possible in case of countries with which Oman has agreed Free Trade Agreements (FTA), most notable being the FTA with United States of America. LLC's are allowed to prescribe in their articles of association a profit sharing ratio which can be different from their capital contribution ratio. Minimum capital requirement for an LLC with foreign ownership is Omani Riyal (RO) 150,000, compared to RO 20,000 for an LLC without foreign ownership. The higher capital requirements are not enforced in case of countries with whom Oman has an FTA. The minimum share capital must be paid-up in full before registration takes effect. The minimum share capital required for SAOC and SAOG companies is RO 500,000 and RO 2,000,000, respectively. Half of the nominal value of issued shares should be paid-up on subscription and the shares should be fully paid-up within 3 years of the formation of the company. Minimum capital requirements are substantially higher for banks, insurance companies and finance & leasing companies. **Partnership** A general partnership may be formed with a local individual or other registered entities. Partners will be jointly and severally liable for partnership debts to the full extent of their assets. A Limited Partnership consists of one or more partners with unlimited liability and one or more partners whose liability is limited to the extent of their contributed capital. Limited liability partners may not participate in partnership's management or act in partnership's name. Both general and limited partnerships must register in the commercial register of MOCI. **Joint Venture** A joint venture is an agreement between two or more parties to carry out a project jointly, on mutually agreed terms. It is not a legal entity and therefore does not have a juristic personality. A joint venture does not have to be registered in Oman but the parties to the joint venture would need to be registered in Oman. The liability of partners is joint and several. **Consortium** A consortium is an agreement between two or more parties to carry out their specific obligations in order to complete a project. There is a distinct allocation of risks, responsibilities and revenue to each consortium member. A consortium is not a legal entity and therefore does not have a juristic personality. The liability of members is joint and several.
Currency/monetary restrictions	There are no restrictions on inward or outward remittances.
Regulatory requirements for Financial Services	Central Bank of Oman and Capital Market Authority regulates financial services industry.

Accounting/Finance for companies and branches of foreign companies

Financial statements	Financial statements must be prepared in accordance with International Financial Reporting Standards. Audited financial statements must be filed with the income tax return, to be submitted to the tax department. An Omani company fulfilling certain conditions is exempt from filing financial statements with its income tax return.
Audit requirements	Joint stock companies, as well as LLCs that have more than 10 shareholders or capital exceeding RO 50,000, are required to have an annual statutory audit. Other LLCs must have a statutory audit if required by their articles of association or if requested by shareholders holding at least 20 percent of the company's share capital.

Requirements for foreign investors	For an Omani company with foreign participation, the following information is required for registering the company:
	
	• Written request to the Commercial Registration department signed by at least two members
	• Written confirmation from the Commercial Registration department on non-existence of name proposed for the Company
	• Memorandum of association duly filled and signed by all members. Where a member is:
	  – an individual
	    - Copy of his/her passport or resident card (or equivalent identification document).
	  – a non-Omani Company
	    - Copy of commercial registration of that company in the home country
	    - Copy of articles of association of that company in the home country
	    - Resolution of members/board of directors of that company approving membership in the new company in Oman, disclosing the capital to be invested and naming the authorized signatory on its behalf.
	
	All the following documents must be attested by Omani Embassy (or any GCC or Arabian Embassy, if an Omani Embassy is not present)
	
	• Copy of the nominated signatory's passport
	• Rent agreement in the name of the company (under formation)
	• Specimen signature of authorized signatories
	• Proof of capital contribution
	• Proof of payment of Ministry's fees
	
	The following documents are required for registration of a foreign branch with MOCI in Oman:
	
	• Duly completed application for registration of Branch (in duplicate)
	• Copy of contract signed with the Government or its institution
	• Notarized copies of constitutive documents of the head office
	• Copy of head office authorization given to resident branch manager in Oman to act on their behalf
	• Summary of head office's trading experience
	• Copy of head office's latest financial statements
	• Guarantee letter from head office confirming that it is responsible for all liabilities incurred by the branch in Oman

Requirements for foreign investors (Cont'd)	• Notarized copy of power of attorney for manager of the proposed branch • Photocopy of the proposed manager's passport • Specimen signature of authorized person to sign on behalf of the proposed branch If the Omani company or foreign branch need to apply for a particular license to carry out business operations, additional information may have to be provided to the relevant authority.
Book year/accounting currency	The income tax law follows the calendar year. However, companies can choose their accounting year to end in any month. The first financial year of a company may extend to a maximum period of 18 months. The financial statements must be prepared in RO. Permission from Secretariat General for Taxation is required if accounts are to be maintained in foreign currency.

Tax

Approval requirements	An entity does not require approval from the Secretariat General of Taxation, Ministry of Finance. However, all taxable entities should register with the tax department and obtain a tax file number.
Advance tax rulings/Advance pricing agreements (APA)	Income tax law does not contain an APA mechanism and there is no formal route by which a taxpayer could obtain an APA. The tax department may be willing to provide an informal agreement – which the taxpayer could consider as binding – but this would only be on a unilateral basis. The process for providing any such agreement would have to be discussed with the tax department.
Income tax compliance	With the introduction of the new income tax law, Oman moved from a territorial tax system to a worldwide tax system. Executive Regulations which came into force on 29 January 2012 provide further clarity to how the tax provisions are to be applied. Income tax law encourages foreign investment and provides a uniform tax rate of 12 percent for all companies, irrespective of the company form, nationality of its shareholders and level of taxable profits. Taxable profits up to RO 30,000 are exempt. Taxpayers are required to submit a Provisional Return of Income (PRI) within three months from the end of applicable accounting period and pay the estimated income tax liability at the same time. Taxpayers must also submit a Final Return of Income (FRI) within six months from the end of applicable accounting period. Any additional tax (from that estimated in the PRI) must be paid at the same time. The FRI must be accompanied by audited financial statements. Income tax law requires taxpayers to keep registers, books of accounts and supporting documents for a minimum period of ten years from the end of applicable accounting period. Executive Regulations have specified certain criteria for exempting small companies from the compliance process. Income tax law provides for a full tax assessment system. The tax department have five years, from end of the tax year in which income tax return is submitted, to raise enquiries. The tax department has a back-log of unassessed tax years and it is not uncommon for taxpayers to experience collective audit of three, four or five years' income tax returns that have not yet been assessed to be. There is now a drive, within the tax department to clear these open tax years and assessments are being accelerated, with several years' assessments being dealt with at the same time. Taxpayers are therefore being asked to provide supporting documentation for multiple years. If documentation was not prepared at the time of completing the tax return, it imposes a significant burden on the company and if adequate documentation cannot be provided, taxpayers may experience adverse consequences in the final assessment.

Income tax compliance (Cont'd)	Typically, enquiries will be raised between three and five years from the date of filing, often with enquiries into multiple tax years issued at the same time. With a view to speed up the assessment process, the Ministry of Finance has set up a Large Taxpayer Unit (LTU) to focus on tax audits of large taxpayers.
Indirect tax compliance	A common customs duty regime is in place across the states of the Gulf Co-Operation Council (GCC), and imposes a flat 5 percent customs duty on majority of goods entering the GCC. Oman has no property tax, Value Added Tax (VAT) or Sales Tax. Stamp duty is one of the few taxes which is applicable and is charged when purchasing real estate at a standard rate of 3 percent of the sale price (referred to as a registration fee). A local municipality tax is payable on property leases, calculated by reference to the amount of the rent. The Oman government and the other GCC countries are working to develop a common GCC framework for implementing VAT. The current proposals are for a simple Value Added Tax system, with a low 5 percent rate, limited exemptions and a high registration threshold. The anticipated introduction of Value Added Tax in 2016 is expected to be delayed.
Other tax compliance	Taxes must be withheld where specified categories of payment are made to a foreign company (provided the payment is not attributable to an Omani permanent establishment of the said foreign company). A withholding tax returns must be submitted to the tax department by 14th day of the month after the specified payment is made or credited to the foreign company's account. Payment of withholding tax is also due by the same date. Specified cross border payments consist of: • Royalties • Management fees • Consideration for carrying on research and development • Consideration for the use, or right to use, computer software The rate of withholding tax is 10 percent, on the gross payment. There is no withholding tax on dividends or interest payments.
Director's liability to tax	There is no personal income tax in Oman. Hence, a director of a company is not subject to tax in Oman for the remuneration received in his capacity as a director. However, a company tax deduction is only available for director's remuneration up to limits specified in the income tax law.
Principal Officer	Principal Officer of an Omani company should be the person responsible for discharging the obligations imposed on the company under income tax law. There are stringent penalties and punishments that could be imposed on the Principal Officer for non-compliance. Role and responsibilities of the Principal Officer are of utmost importance and should be executed in a diligent matter.
Double Taxation Avoidance Agreements (DTAA)	Oman has executed DTAA with 33 countries. Tax treaties with 4 countries are still to be ratified, and are not yet effective. The countries with which DTAA have been executed are: Algeria, Belarus, Belgium, Brunei, Canada, China (People's Rep.), Croatia, Egypt, France, India, Iran, Italy, Korea (Rep.), Lebanon, Mauritius, Moldova, Morocco, Pakistan, Netherlands, Russia, Syria, Sudan, Seychelles, Singapore, South Africa, Thailand, Tunisia, Turkey, United Kingdom, Uzbekistan, Vietnam, Yemen, Japan.

Transfer pricing

Income tax law includes related party provisions (not specifically referred to as 'transfer pricing' provisions) under which the value of related party transaction can be ignored and taxable income can be calculated, instead, on the basis of an 'independent' price.

The related party rules sit alongside wider reaching, anti-avoidance rules, which authorize the tax department to adjust a taxpayer's taxable income where it is felt that the 'principle objective' of any transaction (or the combined effect of two or more transactions) is 'avoidance of tax'.

For the purpose of related party provisions, persons will be treated as related if one party has control over the other or a third party has control over both of them. Individuals will be treated as related if one person is a relative of the other, up to the third lineage, i.e. from grandparents through to grandchildren.

Control may be direct or indirect. Control will exist where a person has the right to exercise control over the activity and commercial matters of a company. In particular, this will be the case where a person:

- owns the greater part of the company's capital or voting rights
- is entitled to the greater part of distributions by the company (the company to distribute its total income)
- is entitled to the greater part of the company's assets on dissolution or cessation

The 'control' test shall take into account entitlement to future rights, interests or authority, as well as:

- rights vested in another person in the capacity of representative
- rights that are required to be exercised by another person under direction
- rights held by relatives up to the third lineage (whether direct or indirect)

Thin capitalization rules were introduced by the Executive Regulations for tax years commencing on or after 1 January 2012. Thin capitalization rules will restrict deduction for interest claimed on loans with related parties, where a debt-to-equity ratio of 2:1 is surpassed. The debt-to-equity ratio takes account of all related party and unrelated party debt but the restriction is applied only to related party interest.

<u>Corresponding relief</u>

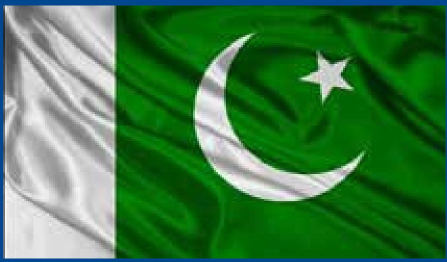
Where the Tax Department adjusts the price on a related party transaction between two Omani companies, the income tax law allows the counterparty to request a corresponding adjustment in the calculation of its taxable income.

Transfer pricing methods

The income tax law does not contain any guidance as to the related party pricing methods that should be applied, or the format that related party documentation or evidence should take.

That said, the Tax Department considers the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (2010) ("the OECD Guidelines") to provide a suitable basis for the pricing of related party transactions.

The Tax Department will not be bound by the OECD Guidelines or their pricing methods. The Tax Department will generally ask for "supporting documentation" in generic terms and typical enquiries may be resolved without the need for formal documentation. It may be sufficient to provide, for example, copies of intra-group agreements and the basis for calculation of the price under enquiry.



Pakistan

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Regulatory/Legal

Setting up business

Pakistan has one of the most liberal foreign direct investment (FDI) regimes in South Asia where 100 percent foreign equity is permitted in the manufacture and infrastructure sectors excluding a few such as arms and ammunitions, high explosives, radioactive substances, security printing, currency and mint. With a consumer base of more than 180 Million people and 9th largest labor force in the world, Pakistan holds great potential for foreign investors; with power, infrastructure and natural resources sectors being the major avenues for investment over the last two year.

FDI in Pakistan is governed by the following Acts:

- Foreign Private Investment (Promotion & Protection) Act, 1976
- Protection of Economic Reforms Act, 1992

Pakistan has signed Bilateral Investment Treaties (BITs) with 47 countries, of which 26 are in force. A further 27 are under negotiation.

Regulatory Framework for Investors

In order to protect and stimulate investments (both local and foreign) in Pakistan, the Investment Policy 2013 has been designed by the Government to provide a comprehensive framework for creating a conducive business environment. FDI strategy for Pakistan, 2013–2017, outlining a detailed plan for structuring the platforms has been dovetailed with it.

Following basic principles provide the theme of the policy:

- **Reducing cost of doing business in Pakistan**

  To facilitate market entry of small and medium sized enterprises; steps have been taken to reduce cost of doing business (money and time). State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP) have removed equity caps on banking and non-banking financial services. Incentives have also been introduced in the tax law to encourage investment in manufacturing sector, including expansion in existing plants. This includes 100 percent tax credit for a period of five years for newly set up industries, including corporate dairy farms; subject to setting-up the industry through 100 percent equity, including FDI.

- **Reducing the processes of doing business**

  Pakistan Board of Investment (BoI) is moving towards one-window operations. The aim is to offer constructive policy parameters for removing unnecessary regulations (deregulation) and minimizing the business cost by means of necessary regulations (streamlining). Creation of Special Economic Zones is a step towards this direction.

- **Ease of doing business with creation of industrial clusters and special economic zones**

  Special Economic Zones (SEZs) Act 2012 has been promulgated to establish SEZs. This law is the capstone of Investment Policy 2013. The incentives and exemptions granted for creation of these industrial clusters are protected by law and cannot be withdrawn prematurely.

Commonly used business entities

Foreign companies can choose between setting-up a liaison office, branch office or incorporate a Pakistani company, as either its wholly owned subsidiary or joint venture with a Pakistani / overseas partner. From a long term business perspective, the limited liability company (LLC) with share capital would be the type of company contemplated by non-residents interested in investing in Pakistan. A company incorporated in Pakistan may either be a 'Public company. or a 'Private company' including a 'Single member company'. A public company can also be a listed company.

- **Private company**

  A private company can be easily formed by a minimum of two members (except for a single member company) and may commence its business immediately after obtaining certificate of incorporation. The Companies Ordinance, 1984 requires a private company to appoint at least two natural persons as directors. The maximum number of shareholders is 50 and it is not allowed to raise capital through public issue of shares.

- **Public company**

  A public company can be formed by three members or more. It is entitled to commence business after obtaining a commencement of business certificate from the Registrar of Companies.

  A public company does not have restrictions with regard to maximum number of members and transferability of shares. Public companies have the option to get their securities listed on a stock exchange.

  A company cannot be listed unless it has made a public issue which is subscribed for by at least 500 applications. However, this is applicable only for listing of shares. For listing of securities other than shares, minimum number of members is three. The minimum number of directors for a public unlisted company is three and seven for the public listed companies.

  A listed company may buy back its own shares subject to conditions specified in the Companies Ordinance, 1984.

- **Liaison office (LO)**

  The activities of a LO of a foreign entity are restricted to undertaking promotional activities, provision of technical assistance, exploring the possibility of joint collaboration and export promotion on behalf of its parent company. Such an office is strictly restricted from entering into revenue generating activities and is required to meet its operational expenses through remittances from its parent company through normal banking channels and converted into local currency account.

- **Branch office (BO)**

  A foreign entity can operate in Pakistan by establishing a BO. A BO is set up specifically to execute contracts awarded to the foreign entity; therefore activities are restricted to the extent stated in the signed agreement/contract. BO cannot indulge in other commercial/trading activities.

  Revenue generated/profit earned from BO activities can be repatriated to head office, subject to payment of applicable taxes. Such repatriation should be in compliance with the procedures mentioned in the Foreign Exchange Regulations of Pakistan, through an authorized dealer (banker), under normal banking channels and in compliance with tax regulations.

Main legal formalities for registration of a liaison office or branch office or formation of a company	**Setting up of a liaison office/Branch office** A foreign company desirous of setting up a LO or BO in Pakistan is required to obtain permission from the BoI by submitting an application in a specified format with requisite processing fee. The application processing generally takes up to seven weeks, after giving relevant authorities an opportunity for consultation. If comments from such authorities are not received within the allocated period, the application is considered approved on a 'no objection' basis. Approvals are granted for a period of maximum five years and renewals/extensions are granted after fulfillment of all requirements prescribed under the governing rules. A foreign company (LO/BO) is required to file prescribed returns/documents with the Registrar of Companies in the city where principal place of its business is located. Such filing should be done within 30 days after obtaining permission from BoI, as per the provisions of Companies Ordinance, 1984. LO/BO are further required to be registered with tax authorities in Pakistan. **Pakistan subsidiary/joint venture** A foreign company can set-up its own wholly owned subsidiary in Pakistan or establish a joint venture company with a Pakistani or foreign partner, subject to fulfilling the FDI policy provisions and requirements of the Companies Ordinance, 1984. A subsidiary or a joint venture company can be formed as a private company or a public company. SECP obtains security clearance of foreign directors/sponsors/promoters from the Government agencies after obtaining copies of their passports, CV, recent photographs etc. authenticated by a Pakistan Diplomatic Consular or Consulate Officer in their country of residence. After incorporation of the company and receipt of share subscription money, share capital should be registered with SBP on a repatriable basis. **Work visa** Every expatriate engaged as an employee by LO/BO operating in Pakistan is required to obtain work visa prior to commencement of employment in Pakistan. The work visa policies are considerable relaxed with Pakistan commissions abroad authorized to grant five year validity (multiple entry) visa within 24 hours to businessmen of various countries appearing on Business Visa List (BVL), with the duration of each stay restricted to three months. Business persons and investors from any of the BVL listed countries will also be granted a thirty day visa-on-arrival at any airport in Pakistan.
Currency/monetary restrictions	Foreign exchange dealings are regulated under the Foreign Exchange Regulation Act, 1947. Foreign currencies are made available to persons/companies doing business in Pakistan for all purposes under rules which have been clearly defined by SBP. There are no restrictions on availability of foreign currency for imports (except for import of banned items or for imports from Israel). Business houses can buy foreign currencies for all other commercial transactions like payments for export claims, commission payment to foreign agents on exports, royalty, franchise/technical fees and dividends, software licenses/maintenance/support fee, advertisement abroad in newspapers and magazines, business travel etc. Foreign investment in Pakistan enjoys full protection and repatriation facilities. The Foreign Private Investment (Promotion and Protection) Act, 1976 provides guarantees for repatriation of foreign investment to the extent of original investment, profits earned on such investment and appreciation of capital.
Regulatory requirements for Financial Services	• SBP was established in 1948. In addition to monitoring the implementation of Banking Companies Ordinance 1962, SBP specifies regulations relating to the monetary system, credit and banking policy and supervises their implementation. • The main law governing banking companies in Pakistan is the Banking Companies Ordinance, 1962 that regulates and governs the establishment and running of banking companies in Pakistan, in addition to business of commercial banking.

Regulatory requirements for Financial Services (Cont'd)

The Banking Companies Ordinance, 1962 and SBP Act, 1956 specify various regulations, some of which are listed below:

- Capital and reserve requirement
- Cash reserve
- Liquid assets
- Assets outside Pakistan
- Annual accounts and audit
- Remittance of profits
- Number of branches
- Prudential regulations
- SBP has introduced specific Prudential Regulations for Corporate and Commercial Banks, Small & Medium Enterprises, Financing, Consumer Financing, Micro Finance Banks & Institutions and Agriculture Financing.
- The Prudential Regulations cover four categories viz. Risk Management, Corporate Governance, Know your customer (KYC)/Customer Due Diligence (CDD) and Anti-money Laundering and Operations. Following are the important conditions prescribed in these prudential regulations for Corporate & Commercial Banks:
- Limit on exposure to a single person
- Limit on exposure against contingent liabilities
- Minimum conditions for taking exposure
- Limit on exposure against unsecured financing facilities
- Linkages between financial indicators of the borrower and total exposure from financial institutions
- Exposure against shares/TFCs and acquisition of shares
- Classification and provisioning for assets
- Payment of dividend
- Margin requirements
- Corporate governance/board of directors and management
- Credit rating
- KYC
- Anti-money laundering measures
- Window dressing

Accounting/Finance for companies and branches of foreign companies

Financial statements

All companies including foreign companies, notified entities, BO and LO are required to prepare and present annual financial statements within four months from the close of the financial year. Foreign companies mean and include those companies which are incorporated or formed outside Pakistan and have a LO/BO in Pakistan.

Every listed company is also required to prepare quarterly financial statements within one month of the close of first and third quarter, respectively, of its accounting year; and half yearly financial statements within two months of the close of the second quarter, and transmit the same to the members and stock exchanges on which it is listed.

Directors of every company are required to present audited financial statements in the Annual General Meeting (AGM) within four months of the close of financial year and not later than 18 months after the date of incorporation and subsequently once at least in every calendar year.

The directors' report is required to be attached with the financial statements in the prescribed format.

Audit requirements	Following companies are required to have their annual financial statements audited by a Chartered Accountant: • a public company • a private company, which is a subsidiary of a public company; or • a private company having a paid-up capital of Pakistani Rupee (PKR) 3 Million or more. The first auditor is required to be appointed by the directors within 60 days from the date of incorporation and thereafter in each AGM of the company. A public listed company is required to ensure that its half yearly financial statements are subject to limited scope review by statutory auditor.
Book year/accounting currency	Generally, financial institutions follow the calendar year as its accounting year and other companies (except sugar and textile companies) follow financial year July-June. Sugar and textile companies follow period of October-September as their accounting year. The determination of currency for the purpose of preparation and presentation of financial statements depends upon the currency of the primary economic environment in which the Company operates. Typically, the financial statements are presented in PKR, which is the company's functional and presentation currency. The requirements relating to preparation of accounts, audit and submission of accounts to Registrar of Companies are also applicable to LO/BO of a foreign company.
Format	The statutory financial statements are prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of such International Financial Reporting Standards issued by the International Accounting Standards Board and are notified under the Companies Ordinance, 1984 and/or under relevant/applicable laws (e.g. Banking Companies Ordinance, Insurance Ordinance etc.). In case requirements differ, the provisions of directives issued under the Companies Ordinance, 1984 and/or relevant/applicable laws shall prevail. However, in case of Medium & Small sized entities, they have the option to prepare financial statements in accordance with Accounting and Financial Reporting Framework for Medium Sized Entities/Small Sized Entities issued by Institute of Chartered Accountants and Companies Ordinance, 1984. Such a reporting framework represents a limited application of International Financial Reporting Standards.

Tax

Approval requirements and registration	No specific tax approval is required for setting up business in Pakistan. Every taxpayer is however required to get registered with Pakistan tax authorities and obtain a National Tax Number (NTN) soon after having established business or business connection in Pakistan. Similarly, foreign individuals working in Pakistan are also required to obtain NTN. Businesses subject to indirect taxation are also required to be registered under sales tax or federal excise duty laws. As sales tax on services is collected by provinces, the service providers in the provinces of Sindh, Punjab and Khyber Pakhtunkhawa (KPK) are required to register themselves with the revenue authorities of these provinces.
Advance tax rulings/Advance pricing agreements (APA)	A foreign company not having a permanent establishment in Pakistan may seek an advance ruling from the Federal Board of Revenue (FBR) in respect of Pakistan tax implications on a transaction entered into or proposed to be entered into. An advance ruling issued by FBR is binding on tax authorities but not on the taxpayer. Therefore, in case of an adverse ruling, the taxpayer may proceed with own interpretation and contest the dispute, if any, in appeals. There is no other specific law dealing with advance pricing agreements. However, law contains rules for Mutual Agreement Procedure (MAP) where a reference is received from the competent authority of a country outside Pakistan under an agreement with that country with regard to any action taken by any income tax authority in Pakistan.

Income tax compliance

Corporate income tax

Pakistan income tax law, embodied in the Income Tax Ordinance, 2001 provides for two separate regimes of taxation, generally known as the 'normal tax regime' (NTR) and 'final tax regime' (FTR). Under NTR, tax is charged on taxable income computed after deducting admissible expenditure from gross revenue earned by the company during a certain period. Generally, all expenditure incurred for the purposes of business tax admissible with exception of certain expenses such as payments made otherwise through banking channels or without withholding tax and excess interest expense incurred by a 'foreign controlled resident company' under the 'thin capitalization' rule.

Graduated tax rates apply to associations of persons (AoPs), such as partnerships, joint ventures and consortiums etc. paying tax under NTR and the highest bracket of 35 percent applies in case (net) taxable income of the AoP for a tax year exceeds PKR 6 Million. For companies paying tax under NTR, a flat tax rate of 35 percent applies irrespective of quantum of (net) taxable income, except for 'Small companies' which pay tax @ 25 percent. It is however to be noted that for the tax year 2015, tax rate for companies has been reduced to 33 percent and a further reduction is expected next year.

BO or permanent establishment of foreign company, paying tax under NTR is also entitled to deduction for head office expenditure capped in accordance with the percentage of Pakistan revenues to global revenues. It is however not allowed deduction for any royalty, fee for services or interest etc. paid by it to its head office. A permanent establishment is entitled to tax treaty benefits, if any, available under the circumstances.

Business loss sustained in a tax year can be carried forward to the following six tax years. Loss representing unabsorbed depreciation can however be carried forward indefinitely until fully set-off against future business income.

Under FTR, tax withheld at source from payments at a flat prescribed rate constitutes discharge of final tax liability in relation to income arising from such payments. Accordingly, neither any deduction is allowed for expenditure incurred in earning such income nor such income is allowed to be reduced by set-off of any other loss.

Indirect tax compliance

Sales tax on supply of goods

Sales tax is governed by the Sales Tax Act of 1990, administered by FBR. Sales tax is generally applicable @ 17 percent ad-valorem on import and supply of taxable goods and it operates in Value Added Tax (VAT) mode. In certain cases, fixed sales tax and upfront value addition sales tax schemes are in place, where input tax adjustment/ refund may or may not be admissible. Thus, sales tax is charged, collected and paid against taxable supplies made by a registered person in course of furtherance of any taxable activity carried on or on goods imported into Pakistan.

Sales tax on services

Sales tax on services is collected by provincial revenue authorities under the provincial sales tax laws. At present, the provinces of Sindh, Punjab and KPK are collecting this tax whereas the province of Baluchistan has not yet enacted the law. The charge of sales tax depends upon the nature and value of services contract as well as the province in which the services are rendered. The general provincial sales tax rate is 16 percent in Punjab and 15 percent in Sindh and KPK. However, a 10 percent rate with respect to Federal Excise Duty applies in Islamabad capital territory (which is not part of any province) with respect to services performed in Islamabad.

Mergers & acquisition

Pakistan income tax law contains specific provisions whereby a merger under a scheme of arrangement and reconstruction approved by the High Court, SBO or SECP under the provisions of relevant statutes are taken as a tax neutral event for the entities as well as their shareholders.

Other tax compliance	Every industrial or commercial establishment is required to pay workers' welfare fund @ 2 percent of accounting profit before provision of tax or @ 2 percent of taxable income declared (in case income falls under presumptive regime, 2 percent of 4 percent of gross receipts), whichever is higher, along with return of income. A company engaged in an industrial undertaking, if the number of workers employed at any time during a year is 50 or more, or the paid up capital as on the last day of accounting year is PKR 5 Million or more, or the value of fixed assets is PKR 20 Million or more, is required to establish a Workers' Profit Participation Fund and pay 5 percent of its profits to it every year.
Director's liability to tax	The company's tax liability cannot generally be recovered from the directors. However, any person responsible for misstatement on conviction may be liable to penal actions under relevant taxation laws.
Double Taxation Avoidance Agreements (DTAA)	Pakistan has entered into DTAA with a number of countries. DTAA are in place with respect to all major trading partners of the country, including China, United States of America, UAE, United Kingdom, Saudi Arabia and almost all major European countries that includes Germany, France, Switzerland, Spain, Norway, Sweden, and Belgium.
Transfer pricing	Pakistan income tax laws contain specific rules relating to transfer pricing which prescribe internationally recognized methods (comparable uncontrolled price method, resale price method, cost plus method and profit split method) for determination of arm's length results in respect of transactions between associates.

Qatar

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Regulatory/Legal

Qatar welcomes foreign investors with various incentives available to attract foreign capital, including tax and customs duty exemptions. Foreign investors can transfer their investments and profits can be repatriated as can sale proceeds and capital on liquidation.

The following commercial arrangements may be used by a foreign investor to establish a legal presence and conduct business activities in Qatar:

Commercial arrangements for setting up business

1. Foreign Capital Investment Law No. 13 of 2000

Foreign investments into projects in Qatar are generally allowed up to 49 percent, with a local sponsor (either active or silent) owning the remaining 51 percent of share capital. A decision from Minister of Economy and Commerce (The Ministry) for foreign investors to exceed the percentage of their participation from 49 percent to 100 percent of the project capital may be allowed in sectors such as agriculture, industry, health, education, tourism and development and exploitation of natural resources or energy or mining, provided it is in conformity with the development plan of the State. Law No. 1 of 2010 has extended this list to include business consulting, technical services, information technology, cultural, sports and leisure and distribution services. In our experience, such approval for 100 percent ownership to foreign entities are fairly limited.

100 percent foreign investments are generally not allowed in banking sector, insurance companies, commercial agencies and real estate.

The Ministry may exempt income tax for foreign capital invested in specified sectors for a period not exceeding 6 years starting from the date of operating the investment project.

2. Qatar Science & Technology Park (QSTP)

Designated to host companies that are interested in developing new technologies and introduce them to the Qatari market place. Companies that are registered in QSTP will enjoy a full exemption from Qatar income tax on profits related to activities carried out in Qatar. Some of the key characteristics of the QSTP are:

- Allowed to operate as a branch of a foreign company
- Incorporation of local companies with 100 percent foreign ownership
- Trade without local agent
- Sponsorship expatriates
- No import or export duty
- Unrestricted repatriation of capital and profits
- Access to facilities for a low cost

Commercial arrangements for setting up business (Cont'd)

3. Qatar Financial Centre (QFC)

QFC is designed to attract financial service companies such as banks, insurance and brokerage firms. Certain 'non-regulated activities' can also apply for a license with the QFC, including shipping broking and shipping agents, investment grading and other grading services, company headquarters, management offices and treasury operations, audit, tax, consulting and legal services, etc.

The formation of Holding companies and Special Purpose companies has recently been added to the non-regulatory activities in an effort to make Qatar more competitive in the global market.

Companies registered with QFC are entitled to 100 percent foreign ownership.

Legal framework

Partnership Company

A partnership company is formed by two or more natural persons. All partners should be Qatari nationals. A memorandum of association and its schedules should be written and signed by the partners, setting out rights and obligations under the partnership. The shares in the partnership shall not be represented by negotiable instruments nor shall they be transferable. Partners are jointly liable for liabilities of the company. A new partner is liable for all liabilities incurred before or after he joined the partnership company.

Joint Venture Company

The Joint Venture Company is an unincorporated entity comprising of two or more persons. The Joint Venture Company's memorandum defines its objects, rights and liabilities of partners, etc. The Joint Venture Company may not issue transferable shares or financial instruments. Third parties dealing with the joint venture company only have the right of action against the particular joint venture partner.

Limited Liability Company

A limited liability company shall consist minimum of 2 partners and maximum of 50 partners. The company name must be followed by the words 'LLC' or 'WLL' (With Limited Liability). Shares of a limited liability company are not freely transferable. A limited liability company shall have a minimum capital of Qatari Riyal (QR) 200,000. This vehicle is generally used to set-up small companies with usual 51 percent local and 49 percent foreign holding.

Branch Office

A foreign entity carrying out a project in Qatar may be permitted to establish a Branch Office with 100 percent foreign ownership, provided the contract is with a government or quasi government entity. The project should facilitate delivery of a certain service or should be in public interest.

Representative Trade Office (RTO)

RTO allows a foreign company to market its services and products in Qatar. RTO cannot undertake any commercial activities or contractual work of its parent company in Qatar. Registration of RTO is renewable on a yearly basis.

Main legal formalities for the formation of a company or registration of a branch

In order to register a branch in Qatar, it is first required to obtain Ministerial Decree permitting the company to establish a branch 100 percent owned by foreigners. The following documents are required in order to obtain an approval for registration of a branch office in Qatar:

- Application form, duly completed in Arabic
- A copy of the Certificate of Registration of foreign shareholder at the place of origin
- A Power of Attorney from the foreign company in favor of a representative of foreign shareholder for use in Qatar, together with a copy of his/her passport
- Memorandum and/or articles of association of foreign shareholder
- Board resolution of foreign shareholder confirming their desire to establish a branch in Qatar

Main legal formalities for the formation of a company or registration of a branch (Cont'd)

- Contract with government/quasi government entity. This should be translated into Arabic. The Ministry may however, accept Arabic translations of the relevant texts of that document only
- Such other documents as the Ministry may direct

Once the approval is granted, the foreign company must obtain a commercial registration by submitting the following documents:

- An application form in Arabic signed by the branch manager
- Copy of the Ministerial Decree approving the branch office
- Copies of the foreign company's certificate of incorporation and memorandum and articles of association
- The branch's commercial license
- Its municipality license and signage license
- Its Chamber of Commerce membership certificate
- The copy of lease agreement for its business premises
- Such other documents as the Ministry may direct

To establish an LLC, the following requirements must be satisfied:

- It must have a minimum of two shareholders and a maximum of fifty shareholders
- The capital of an LLC must be at least QR 200,000
- Qatar Commercial Companies' Law (QCCL) requires that at least 51 percent of the shares capital must be owned by Qatari shareholders.

LLC shall be established under a contract signed by all the shareholders, which should include the following:

- The name and address of the company adding the phrase 'Limited Liability Company'
- The names of shareholders, their titles, their nationalities, and their place of residence
- The address of the company's head office
- The object for which the company is incorporated
- The amount of capital, whether it is in cash or otherwise, which each partner subscribes
- Conditions of assignment of shares
- The duration of the company
- The names of the persons entrusted with the management
- The method of distributing profits and losses

The above contract should be signed by all the shareholders of the limited liability company and should be registered with the Commercial Registry Department of The Ministry.

The following documents are required in order to obtain an approval for registration of a limited liability company in Qatar:

- Memorandum of Association
- The payment proof of capital mentioned in the memorandum, which must not be less than QR 200,000
- The company lease contract (or proof of ownership)
- Copies of the passports and identity cards for all natural partners, however in case of legal partners a copy of the commercial registration is required
- Proof that the share capital of a foreign partner does not exceed 49 percent, while the Qatari partner possesses at least 51 percent shareholding of the company.

Currency/monetary restrictions	There are no exchange control restrictions in Qatar, so both profits and cash are freely transferable.
Regulatory requirements for Financial Services	Governed by the Qatar Central Bank (QCB) and Qatar Financial Centre (QFC)

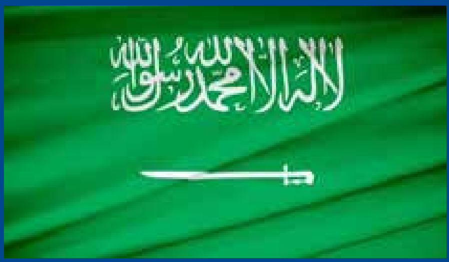
Accounting/Finance for companies and branches of foreign companies

Financial statements	Companies are required to prepare the accounts in accordance with International Financial Regulatory Standards.
Audit requirements	Under the provisions of Commercial Companies Law No 5 of 2002, all public shareholding companies, limited liability companies, holding companies and limited share partnerships should appoint one or more auditors. Auditors should be registered in Qatar and their term of office cannot exceed five consecutive years.
Book year/accounting currency	The normal fiscal year is the Gregorian calendar year (1 January to 31 December). However, with prior approval of the Director of Public Revenues and Tax Department, a company can follow a financial year different from the calendar year. There are no specific requirements for the currency in which accounts should be maintained.

Tax

Approval requirements	The income tax law has made it mandatory for every entity, to obtain a tax card from the Public Revenue & Taxes Department (PRTD). In a separate tax regime, the Qatar Finance Centre Authority administers the tax affairs of QFC registered, licenced firms. Generally the same tax rate is applied as for the State (see below), however, a zero percent tax rate applies in certain circumstances, for example, 100 percent Qatari owned entities.
Advance tax rulings/Advance pricing agreements (APA)	There are no advance pricing agreements allowed by the PRTD.
Income tax compliance	A flat tax rate of 10 percent will apply to foreign owned entities to the extent of the company's foreign shareholding. However, this rate will not apply to certain entities operating in the petroleum sector for which the tax rate outlined in their prevailing or new agreements with Qatar will take precedence. If the entity falls within the ambit of this exception, tax will apply @ at least 35 percent. Wholly Qatari owned companies are exempt from tax.
Withholding Tax (WHT)	Amounts paid to non-residents in return for services provided wholly or partly in Qatar, not connected to a permanent establishment in Qatar, will be subject to a final withholding tax (WHT) deducted at source by the local customer. The WHT must be submitted to tax authorities by the 15th of the month following the month in which actual payment for services is made. WHT will apply on the following basis and categories: • 5 percent on technical fees and royalties • 7 percent of the gross amount of interest, commissions, brokerage fees, director's fees, attendance fees and any other payments for services carried out wholly or partly in the state.

Anti-avoidance rules	Under the anti-avoidance rules, tax authorities can impose 'market value' on transactions where it deems a particular transaction is not incurred at arm's length between related parties. The arm's length price is determined using Uncontrolled Comparable Price (similar to OECD's CUP) method. If application of CUP is not possible, then the taxpayer must request for approval from tax authorities to use any other OECD prescribed method with respect to transfer pricing of multinationals. Tax authorities can take a 'substance over form' approach in assessing the reasonableness of a transaction or the expenses incurred. Taxpayer may be requested to reconsider such expenses or produce relevant supporting documents.
Indirect or Other tax compliance	Not applicable
Tax Administration	There have been some significant changes in the administrative arm of the PRTD. The main changes are as follows: • Relevant accounting records and documents to be maintained according to International Financial Reporting Standards and kept for a period of ten years. • Mandatory tax registration within 30 days of commencing activity in Qatar. Existing taxpayers must register within 30 days (i.e. 30 January 2010) of the law being effective if they have not already done so. • Audited financial statements are required to be submitted with the tax declaration if: – Taxable income exceeds QR 100,000 – Capital exceeds QR 100,000. – Head office is located outside of Qatar. • Tax assessed by tax authorities must be paid before any appeal submissions can be made. • Taxpayers can claim a refund for taxes and penalties unduly collected by making a claim within 5 years after the date of knowledge of the undue collection. Relevant entities will have to notify tax authorities of concluding contracts within 30 days.
Double Taxation Avoidance Agreements (DTAA)	Qatar has a growing network of DTAA with 58 countries, including Austria, Bangladesh, Belgium, Cyprus, France, India, Italy, Morocco, Pakistan, Romania, Russia, Singapore, South Korea, Sri Lanka, United Kingdom, Tunisia, Turkey, and Venezuela.
Transfer pricing	The Qatar Financial Centre, in the early 2014 issued a transfer pricing manual that features non-binding guidance with respect to Qatar's transfer pricing regulations and rules. The transfer pricing manual covers topics ranging from transfer pricing basics to more detailed explanations of certain financial transactions, thin capitalization, and transfer pricing methodologies. There is no specific legislation for transfer pricing in the State Tax Code. However, there is a general anti-avoidance section which tax authority can use to challenge transfer prices during their corporate income tax audits.



Saudi Arabia

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Regulatory/Legal

Setting up business	The Foreign Investment Act allows foreign companies to invest in all economic activities other than those listed on the so-called 'negative list'. Broadly, the Foreign Investment Act also allows foreign companies to own 100 percent of local companies with the exception of certain activities like trade, which requires minimum 25 percent local shareholding. A Saudi Arabia sponsor or a local partner is no longer required, except in the case of certain business activities. The Saudi Arabian General Investment Authority (SAGIA) is responsible for dealing with all matters relating to the investment regulations, including issuance of licenses to foreign investors.
Commonly used business entities	The main company types are limited liability companies (LLC), joint stock companies (JSC), general partnerships and limited partnerships. Foreigners generally conduct business through either a LLC or branch office of a foreign company.
Main legal formalities for the formation of a company or registration of a branch	The establishment of a Branch or LLC (which has foreign ownership) in Saudi Arabia requires a license from SAGIA). In addition, a Branch and LLC requires Commercial Registration Number from the Ministry of Commerce & Industry (MOCI). There are certain restrictions related to minimum amount of share capital, number of shareholders and business sectors which need to be observed where there is foreign participation.
Currency/monetary restrictions	The currency of Saudi Arabia is the Saudi Riyal (SR). There are no foreign currency restrictions in Saudi Arabia.
Regulatory requirements for Financial Services	Financial service companies are generally governed, licensed and regulated by the Saudi Arabian Monetary Agency (SAMA). The Capital Market Authority (CMA) regulates and monitors the activities of entities broadly carrying on capital market activities.

Accounting/Finance for companies and Saudi branches of foreign companies

Financial statements	Annual financial statements must be prepared under the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA), except for banks and insurance companies, which are allowed to prepare their financial statements under International Financial Reporting Standards.
Audit requirements	Foreign companies subject to income tax in Saudi Arabia are required to submit income tax returns based on audited financial statements.
Requirements for foreign investors	The establishment of a Branch or LLC in Saudi Arabia requires a license from SAGIA and a Commercial Registration Number from MOCI.

Book year/accounting currency	Generally, the taxable year for taxpayers is the State's fiscal year (i.e. January to December). However, a taxpayer may use a different fiscal year after obtaining approval from the Department of Zakat and Income Tax (DZIT). The taxpayer's first fiscal period will start from the date of its commercial registration or license and it can be for less than 12 months or more than 12 months (generally up to 18 months) if the company's articles of association provides for a long first fiscal period. A Branch's first fiscal period, under no circumstances, can exceed 12 months. Companies must maintain book of accounts in SR and in Arabic language. Gross revenue and taxable profits must be calculated in SR. Where the calculation of income involves an amount in foreign currency, the amount is converted at the exchange rate published by SAMA on the date of the transaction.
Format	Annual financial statements must be prepared under the accounting standards issued by SOCPA, except banks and insurance companies which are allowed to prepare their financial statements as per International Financial Reporting Standards. In the absence of a specific Saudi standard dealing with a matter, the relevant International Financial Reporting Standards may be adopted.

Tax

Approval requirements	Approval is not required from the DZIT for setting up a business. However, an application for registration with DZIT should be submitted before the end of the first fiscal year. Failure to register is subject to a penalty ranging from SR 1,000 to SR 10,000.
Advance tax rulings/Advance pricing agreements (APA)	There is no formal tax advance ruling system in Saudi Arabia. Obtaining rulings on issues of principle is possible in certain circumstances.
Income tax compliance	Saudi Arabia has a system which includes corporate income tax, withholding tax and Zakat. Corporate income tax is assessed on the share of profits of the foreign partner in the local company and a non-resident who conducts business in Saudi Arabia through a permanent establishment. Corporate tax rate is generally 20 percent, apart from activities related to natural gas investment and oil & hydrocarbon productions, where the tax ranges from 30 percent to 85 percent. Zakat is a religious levy on Saudi Arabia and Gulf Cooperation Council (GCC) nationals and Saudi Arabian companies that are wholly owned by Saudi Arabian or GCC nationals. Zakat rate is 2.5 percent of the higher of the adjusted taxable profits or the Zakat base which in general comprises of equity, loans and provisions; reduced by deductible investments and fixed assets. A taxpayer is required to submit its tax/zakat return to DZIT within 120 days from the end of the taxable period. Saudi Arabian tax law provides for actual withholding tax (WHT) at different rates on payments made to non-residents by a resident or a permanent establishment of a non-resident from a source of income in Saudi Arabia.

Accordingly, any payment for services provided by a non-resident enterprise, which is from a source or deemed source in Saudi Arabia, is subject to WHT. Services are defined to mean anything done for consideration other than the purchase and sale of goods and other property. In accordance with the provisions of the tax laws and by-laws, the amount of WHT is calculated at the following rates:

Management fees	20 percent
Royalties or proceeds, payments against technical and consulting or international telecommunication services paid to head-office or affiliated company	15 percent
Technical and consulting services or international telecommunication services except the ones paid to head-office or affiliated company, rent, air tickets, air freight or sea freight, dividends, interest on loans, insurance or re-insurance premiums	5 percent
Any other payments	15 percent

A person withholding tax under the tax law is required to pay to DZIT the amount withheld during the first ten days of the month following the month of payment to the non-resident. Furthermore, the person withholding tax is required to file with DZIT an annual withholding tax report within 120 days from the financial year end. This report will be a consolidation of all the monthly withholding tax forms filed by the person during the financial year.

Withholding tax procedures in case of tax treaty relief

In May 2010, DZIT issued a Circular which specified rules applicable with regards to claiming tax treaty benefits. As per the Circular, when making payments to a non-resident (belonging to a country with which Saudi Arabia has a tax treaty), tax should be withheld in accordance with the WHT rates as per domestic tax law in Saudi Arabia (without regards to the concessional provisions of tax treaty at the first instance).

Additionally, the Circular sets out procedures that need to be followed in order to obtain a refund of overpaid taxes in cases where the tax rate under an applicable tax treaty is lower than the tax rate under domestic tax law in Saudi Arabia.

The Circular rules that the beneficiary (payee) should submit a letter to DZIT requesting a refund of the overpaid taxes, along with the following documents:

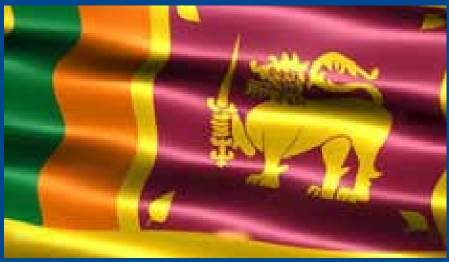
- A certificate issued by tax authorities of the beneficiary's country, certifying that the beneficiary is a resident of that country, in accordance with Article 4 of the relevant tax treaty and that the amount paid is subject to tax in that country; and
- A copy of withholding tax form used to pay the tax, together with the bank receipt confirming settlement of WHT with DZIT.

Circular (June 2013)

In June 2013, DZIT issued a circular setting out the procedures and conditions for claiming tax treaty benefits and applying reduced treaty rates automatically while making a payment to non-resident company instead of settling the WHT as per domestic tax law in Saudi Arabia and claiming a refund of excess WHT subsequently. Some of the highlights of this Circular are as below:

- Reporting of all payments to non-resident parties (including those payments which are either not subject to WHT or subject to WHT at lower rates as per the provisions of effective tax treaties) in the monthly WHT returns on a prescribed format
- Submission of a formal request for application of effective tax treaty provisions
- A certificate issued by tax authorities of the beneficiary's country, certifying that the beneficiary is resident of that country in accordance with Article 4 of the relevant tax treaty and that the amount paid is subject to tax in that country

Income tax compliance (Cont'd)	• Submission of an undertaking from the Saudi Arabia entity that it would bear and pay any tax or fine due on non-resident payees due to incorrectness of submitted information or a computation error or misinterpretation of the provisions of tax treaty in a prescribed format. However, the Saudi Arabia entity may continue to follow May 2010 Circular and make payments to non-resident parties after settling the WHT under domestic Saudi tax law.
Double Taxation Avoidance Agreements (DTAA)	Saudi Arabia is party to 30 DTAA namely, Austria, Bangladesh, Belarus, China, Czech Republic, France, Hellenic Republic (Greece), India, Ireland, Italy, Japan, Korea, Luxembourg, Malaysia, Malta, Netherlands, Pakistan, Poland, Romania, Russia, Singapore, South Africa, Spain, Syria, Tunisia, Turkey, United Kingdom, Ukraine, Uzbekistan and Vietnam. The major trading partners are China, France, Germany, Japan, Korea, Spain, United Kingdom and Unites States of America.
Transfer pricing	While there are no formal transfer pricing rules, Saudi tax officials have been applying the general anti-avoidance rules in framing tax assessments. These rules empower the assessing officers to allocate income and expenses between related parties on an arm's length basis. The tax regulations have recently been amended empowering the tax authority to issue formal transfer pricing rules. It is expected that the formal rules shall be issued in the near future.



Sri Lanka

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Regulatory/Legal

Setting up business

A company incorporated outside Sri Lanka can set up a business in the country either by incorporating a company in Sri Lanka or by registering an overseas company in the form of a Branch Office, Project Office and Liaison or Representative office. A foreign company may also register an offshore company in Sri Lanka solely for the purpose of carrying out business outside Sri Lanka.

Foreign investment into Sri Lanka could be made either with an agreement with Board of Investment (BoI) of Sri Lanka under Section 17 of the Board of Investment Law No. 4 of 1978 or with approval under Section 16 of the said Law. Approval under Section 17 would enable the company to benefit from exemptions/concessions from customs duty and exchange control. A foreign company may also incorporate a company directly by applying to the Registrar General of Companies. 100 percent foreign equity investment is permissible on shares of Sri Lankan companies and it does not require any prior sanction from the Sri Lanka authorities other than notification to the BoI. There are exceptions to this, such as:

Prohibited Activities

These areas are reserved for Sri Lankan citizens - money lending, pawn broking, retail trade with a capital of less than USD 1 Million and coastal fishing.

Regulated Activities

The extent of any foreign investment percentage is subject to regulation by a separate statutory authority in the certain industries - air transportation, coastal shipping, large scale mechanized mining of gems, lotteries and industrial undertakings set out in the Second Schedule to Industrial Promotion Act No. 46 of 1990, namely:

- Any industry manufacturing arms, ammunition, explosives, military vehicles and equipment aircraft and other military hardware
- Any industry manufacturing poisons, narcotics, alcohol, dangerous drugs and toxic, hazardous or carcinogenic materials
- Any industry producing currency, coins or security documents

Restricted Activities

In these areas, foreign investment above 40 percent requires prior approval of BoI on a case-by-case basis in consultation with the relevant state authority. The areas falling within such restriction are – production of goods where Sri Lanka's exports are subject to internationally determined quota restrictions, growing and primary processing of tea, rubber, coconut, cocoa, rice, sugar and spices, mining and primary processing of non-renewable national resources, timber based industries using local timber, fishing (deep sea fishing), mass communication, education, freight forwarding, travel agencies, shipping agencies.

Setting up business (Cont'd)

Tax concessions under the Inland Revenue Act

Tax concessions have been introduced under Section 16C and Section 17A of the Inland Revenue (Amendment) Act no 8 of 2012. These tax concessions are awarded to industries which are categorized as Small Scale Enterprises, Medium Scale Enterprises and Large Scale Enterprises according to the amount invested. Industries such as agriculture, tourism, construction and many others will be eligible to obtain tax holidays under the Inland Revenue Act. The deadline for making these investments in order to qualify for the said exemptions is 31 March 2015.

Strategic Development Projects (SDP)

Tax concessions can be conferred under Strategic Development Projects Act no 14 of 2008 for Projects which are in the national interest and which are likely to bring economic and social benefit to the country and also likely to change the landscape of the country.

SDP's may be granted exemptions up to twenty five years from taxes stemming from The Inland Revenue Act, Value Added Tax (VAT), Excise (Special Provision) Act, Economic Service Charge Act, Customs Ordinance (Chapter 235), Nation Building Tax Act, Port and Airport Development Levy Finance Act No. 11 of 2002, Sri Lanka Export Development Act, No. 40 of 1979 and Betting and Gaming Levy Act. No. 40 of 1988.

Commonly used business entities

A foreign company could establish a business presence in Sri Lanka via one of the following types of vehicles:

- Company incorporated in Sri Lanka
- Overseas Company in the form of a Branch Office, Project Office, Liaison or Representative office
- Offshore company

Main legal formalities for the formation of a company or registration of a branch

Company

A company could be incorporated pursuant to obtaining approval for the name, and furnishing documents as prescribed by the Registrar of Companies e.g. articles of association, consent and certificate from the directors and the secretary, location of registered office and payment of a registration fee – maximum Sri Lankan Rupees (LKR) 18,500.

Investment via BoI entails making an application to the BoI and either execution of an agreement or obtaining a letter of approval for the said investment.

Branch Office (overseas company)

A Branch of a foreign company could be registered in Sri Lanka, under the provisions of the Companies Act No. 7 of 2007. Documents specified by the Act should be submitted to the Company Registrar (resolution of board of directors and a special resolution of the entity, english translation of the certified documents of the company's constitution, certificate of incorporation etc). Additionally, a sum of LKR 50,000 should be paid as a registration fee.

Overseas companies have the same powers to hold land in Sri Lanka as local companies.

Main legal formalities for the formation of a company or registration of a branch (Cont'd)	**Offshore Company** Sri Lanka Company Law provides for registration of what are termed 'Offshore Companies'. Under the said law, offshore companies are not entitled to carry on business in Sri Lanka. An offshore company is deemed to be incorporated in Sri Lanka and is able to carry out business transactions with other countries in the region as a Sri Lanka registered entity. Incorporation in Sri Lanka is not a prerequisite for registration. However, such companies must submit the following specified documents, including those relating to the constitution of the company, with the Registrar of Companies: • A registration fee of LKR 100,000 must be paid to the Registrar of Companies • A deposit of US $100,000 must be placed with a commercial bank operating in Sri Lanka to defray expenses of the offshore company An offshore company is not precluded from securing benefits and advantages conferred by law.
Currency/monetary restrictions	**Investments in shares** All investments in listed and unlisted securities by non-residents should be made via a Securities Investment Account (SIA). SIA enables sales proceeds from disposal of shares to be remitted offshore without any restriction from exchange control authorities. Documentary evidence of sale and tax clearance is required to be submitted with the exchange control authorities by the selling broker. Dividends credited to these accounts can also be remitted offshore on the same basis. **Setting up branches in Sri Lanka** As per Central Bank guidelines for foreign exchange transactions, non-resident companies are permitted to set up an 'overseas company' to carry out business in Sri Lanka subject to specific exclusions and restrictions. With effect from 22 November 2010, all investment made by such non-resident company must be made through an Inward Investment Account (IIA). IIA can be opened with any commercial bank in Sri Lanka with a minimum investment of USD 200,000. Evidence of remittance must be made to the Registrar of Companies within 30 days of registration of such overseas company and the investment must be recorded in company's books until it ceases business in Sri Lanka. Capital account transfers require prior permission of exchange control authorities.
Regulatory requirements for Financial Services	Companies engaged in banking, insurance, finance, finance leasing, hire purchase are regulated by respective statutory regimes and are under the supervision of institutions such as Central Bank & Insurance Board of Sri Lanka.

Accounting/Finance for companies and branches of foreign companies

Financial statements	The Companies Act mandates preparation of financial statements within six months or within such extended period as may be determined by the Registrar General of Companies after the balance sheet date of the company. The sai law also stipulates contents and form of financial statements and the obligation to prepare group financial statements. With effect from 1 January 2012, financial statements in Sri Lanka are required to be prepared in accordance with new Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS (corresponding to International Financial Reporting Standards) and LKAS (corresponding to IAS) promulgated by the Institute of Chartered Accountants of Sri Lanka.

Financial statements (Cont'd)	Therefore, in view of the convergence of the Sri Lankan GAAP (SLAS) with International Financial Reporting Standards, the accounting would be in line with International Financial Reporting Standards. Every company should at least once in every year deliver to the Registrar General of Companies an annual return in the prescribed format. All companies, except private companies, must forward a copy of financial statements together with the auditor's report for registration to the Registrar of Companies within twenty working days of the said statement being signed. Under and in accordance with the Companies Act, a company as well the branch office (an overseas company) is required to furnish financial statements to the Registrar General of Companies on an annual basis along with other documents as required. The financial statements are required to be in Sinhala or in English. If a different language is used, then a translated copy is to be attached with the certified accounts and forwarded to the Registrar General of Companies and to the Department of Inland Revenue along with the return of income. The Companies Act No. 7 of 2007 sets out record keeping requirements, including the place of maintaining such records.
Audit requirements	A company shall get the financial statements audited and group financial statements, if required. The Companies Act mandates appointment of an auditor at each Annual General Meeting (AGM) to hold office until the conclusion of the next AGM. The auditor's report to the shareholders should state the basis of opinion, the scope and limitations of audit, whether in the auditor's opinion financial statements or any group financial statements give a true and fair view of the matters to which they relate and if they do not, the respects in which they fail to do so. Inland Revenue Act requires every person/partnership having a turnover of not less than LKR 250 Million or a net profit or divisible profit, as the case may be, not less than LKR 100 Million for the year and quoted public companies, to furnish audit reports with the annual income tax return.
Requirements for foreign investors	Foreign investors investing in shares must follow the procedure set out in Gazette including routing the investment via SIA, disclosing the required facts in the share transfer form and observing investment at the prescribed investment thresholds. A sum of USD 200,000 is to be deposited in IIA where a branch office is registered in Sri Lanka.
Book year/accounting currency	There is no specific law in Sri Lanka specifying the accounting year. Most entities in Sri Lanka maintain books to 31 March, while banks and financial institutions prepare accounts to 31 December. However for income tax purposes the year of assessment is defined in the Inland Revenue Act as the year ending 31 March and with the approval of Commissioner General of Inland Revenue, the books of accounts can be prepared for a different period. Financial statements may be prepared in a functional currency other than LKR. However for tax purposes, as a practice, financial statements in foreign currency must be translated into LKR.
Format	As prescribed in the Sri Lanka Accounting Standards and the Regulations prescribed under the Companies Act.

Tax

Approval requirements	No specific approval requirements. Any person liable for any tax must register with the Department of Inland Revenue. Tax registrations include income tax (TIN), withholding tax (WHT), pay as you earn (PAYE) registration, Value Added Tax registration, Nation building Tax (NBT) registration etc.

Advance tax rulings/Advance pricing agreements (APA)

Advance ruling could be obtained from the committee formed by the Inland Revenue Department in order to interpret and issue rulings on uncertain tax positions. Section 208A of the Inland Revenue Act sets out that 'The committee shall determine any request made to it for interpretation within six months from the date of receipt of such request.'

The Inland Revenue Act contains provisions for profits of certain businesses to be computed as a percentage of the receipts and a formula for determining profits of non-resident ship owners/charterers.

The transfer pricing regulations introduced but not administratively enforced by the tax office at present, contain provision for APA.

Income tax compliance

Assessment year/tax year in Sri Lanka runs from 1 April to 31 March and the related income tax for each assessment year is computed on a current year basis. Generally, this applies to all taxpayers, However, in cases where the entity in question is a subsidiary or branch of a non-resident group, or on a case-by-case basis with regard to resident companies, the Sri Lanka Revenue Authorities do allow flexibility in calculating the income tax payable based on that entity's accounting period. This generally applies to overseas groups which have a 31 December accounting year end.

Sri Lanka has a self-assessment system. Tax is collected by deduction at source on certain types of income (e.g. interest, dividends, specified fees, management fees, rent on commercial premises etc.) under a PAYE scheme on employment income and self-assessment quarterly payments.

Sources of income chargeable to income tax are as follows:

- Profits from any trade, business, profession or vocation
- Profits from employment
- Net annual value of any land
- Dividends, interest or discounts
- Charges or annuities
- Rent, royalty or premiums
- Winnings from lottery, betting or gambling
- Any grants, donations or contributions or any other payments received by a non-governmental organization (NGO)
- Income from any other source whatsoever, not including profits of a casual or non-recurring nature

The basis of liability to taxation is determined by a person's tax residence. Accordingly, while residents are taxed on worldwide income, non-residents are only taxed in Sri Lanka on Sri Lanka sourced income.

Income tax compliance (Cont'd)

The current rate of corporate tax is 28 percent. Foreign source income of residents is taxed in accordance with the normal provisions of the income tax law. Where tax is suffered in an overseas jurisdiction, a tax credit may be available where a double Taxation Avoidance Agreement (DTAA) exists between Sri Lanka and that overseas jurisdiction. Countries which with Sri Lanka has executed DTAA are listed below:

#	Country	#	Country
1	Australia	24	Oman (Limited)
2	Bahrain	25	Pakistan (Rev.)
3	Bangladesh	26	Philippines
4	Belgium	27	Poland
5	Canada	28	Qatar
6	China	29	Romania
7	Denmark (Rev.)	30	Russia
8	France	31	Saudi Arabia (Limited)
9	Finland	32	Singapore
10	Germany	33	Sweden
11	Hong Kong (Limited)	34	Switzerland
12	India (Rev.)	35	Thailand
13	Indonesia	36	U.A.E. (Limited)
14	Iran		U.A.E. (Comprehensive)
15	Italy	37	U.K.
16	Japan	38	U.S.A. Protocol
17	Korea		U.S.A
18	Kuwait	40	Vietnam
19	Malaysia (Rev.)	41	Seychelles
20	Mauritius	42	Belarus
21	Nepal	43	Palestine
22	Netherlands	44	Luxembourg
23	Norway (Rev.)	45	SARRC Multilateral Treaty

The return of income is due on or before 30 November succeeding the end of the assessment year.

Indirect tax compliance

The current Value Added Tax system has been in effect since 1 August 2002. Liability to Value Added Tax arises on:

- Import of goods into Sri Lanka; and
- Making of a taxable supply of goods or services by a registered person in course of carrying out a taxable activity in Sri Lanka.
- Any person or partnership in the business of wholesale and retail trade.

Export of goods and certain services are zero-rated.

Indirect tax compliance (Cont'd)	Exempted and excluded supplies are however not liable to VAT. Exempt supplies are set out in the statute. The wholesale or retail supply of goods, other than by a manufacturer, an importer, or a person who supplies such goods under any tender agreement is an excluded supply. Persons registered for Value Added Tax are entitled to claim credit for taxes paid on inputs, attributable to the making of taxable supplies. The standard rate of Value Added Tax is 12 percent. Sri Lanka levies Value Added Tax on the business of provision of financial services @ 12 percent (Profit VAT) based on the value addition to be computed in accordance with the guide lines to be issued by the Commissioner General. While 'Financial VAT' is based on bi-annual returns and monthly payments, Value Added Tax based on invoice credit method follows monthly/quarterly returns and monthly payments.
Other tax compliance	Sri Lanka has a fascinating web of taxes comprising of taxes such as the Economic Service Charge, Nation Building Tax, and import levies including Customs Duties, Excise Duties, Ports and Airport development Levy, Cess and Stamp Duty etc. The charging of these taxes is generally subject to meeting a liability threshold. In the case of import taxes chargeability arises on the incidence of importation.
Director's liability to tax	Various tax statutes contain provisions to penalize the directors and principal officer of the company for un-discharged tax liabilities of the company. Where any private company is wound up, directors are jointly and severally liable for payment of tax unrecoverable from the company. The Value Added Tax Act provides for proceeding against the director in case of company default, as if such director was responsible for the default.

Tunisia

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Regulatory/Legal

Setting up business

There are no specific restrictions on setting up a business in Tunisia. However, businesses in certain sectors require a license or permit to operate e.g banking, real estate, education, any trading activity (buy and sell structure) performed by foreign entities.

Foreign investment for fully exporting activities (for services and industries) and made under the Tunisian Incentive Investment Code is free and benefit of several tax incentives.

Commonly used business entities

There are three major categories of commercial entities in Tunisia:

Capital Company

- Public Limited Liability Company (Société Anonyme/SA).
- Partnership Limited by Shares (Société en Commandite par Actions).

Partnership Company

- General Partnership (Société en Nom Collectif)
- Limited Partnership (Société en commande simple)
- Silent Partnership (Société en Participation)

Hybrid Company

This is half-way between the legal system of joint stock companies and partnerships and includes:

- Private Limited Liability Company (Société à Responsabilité Limitée /SARL) The most common entities are:
  - Public Limited Liability Company (Société Anonyme /SA).
  - Private Limited Liability Company (Société à Responsabilité Limitée/ SARL).

Main legal formalities for the formation of a company or registration of a branch

The incorporation of a Public Limited Liability Company or a Private Liability Company in Tunisia generally has the following formalities:

1. Establishing the articles of association which must include:
   - Business name
   - Legal form
   - Purpose
   - Nationalit.
   - Registered capital and shares structure
   - Duration
   - Head Office

Main legal formalities for the formation of a company or registration of a branch (Cont'd)	2. Obtaining a declaration from API (Agence pour la Promotion de l'Industrie). 3. Registering the articles of association with the tax authorities (Recette des Finances). 4. Obtaining the license fee and declaration of company's existence (patente et déclaration d'existence) which specifies local tax regime of the company. 5. Registration at the Commercial Register (Registre du Commerce). 6. Publication of articles of association in the Tunisian Gazette JORT (Journal Officiel de la République Tunisienne). 7. Obtaining the Code en Douane which specifies customs regime of the company. 8. Affiliation to Social Security (Caisse Nationale de Sécurité Sociale-CNSS). Establishment of a branch of a foreign company requires a special authorization document called the "Trade Card" to be obtained from Ministry of Economy.
Currency/monetary restrictions	Foreign trade and foreign exchange regulation is based on the foreign exchange code as enacted by Law No. 76-18 of 21st January 1976 and Law No. 94-41 of 7 March 1994 relating to foreign trade and their enforcement text. Foreign exchange regulation is based on the following principles: • Free transfer of business transactions and net real proceeds as well as the value added from sale or liquidation of capital invested previously through foreign currency import. All other transactions and commitments of which a transfer arises or may arise as well as any clearing of debts with foreign countries are submitted to prior authorization. • Asset movements between Tunisia and foreign countries have to be executed through the Central Bank of Tunisia or, on the authority of the latter, by authorized intermediaries chartered by the Minister of Finance on proposal of the Governor of the Central Bank of Tunisia. • Any individual or legal entity must deposit at a bank foreign banknotes, cheques, evidence of indebtedness denominated in foreign currencies as well as foreign securities that he/it holds in Tunisia. Individuals, who usually live abroad, are authorized to hold in their possession the currencies, which they have regularly imported, for their current expenditures during their stay in Tunisia. • Resident individuals of Tunisian nationality as well as legal entities have to declare to the Central Bank of Tunisia their holdings abroad. • Residents have to repatriate and, with exceptions provided for by the regulation into force, sell on the foreign exchange market currencies arising from goods export, remuneration of offered services abroad and, more generally, any income, or proceeds coming from abroad.
Regulatory requirements for Financial Services	The Central Bank of Tunisia is the prudential regulator of banks and its general assignment is to preserve price stability. In this respect the bank is notably in charge of: • Watching over the monetary policy • Controlling money in circulation and being watchful with respect to sound functioning of systems of payments as well as guaranteeing their soundness, efficiency and security • Supervising the lending institutions • Preserving both the stability and security of the financial system

Accounting/Finance for companies and branches of foreign companies

Financial statements	Annual financial statements must be prepared and lodged with the Trade Register. They should be prepared in accordance with the Tunisian Accounting Principles and to the requirements of the Accounting Framework of Tunisian Enterprises, as detailed in Law No. 96-112 dated 30 December 1996.
Audit requirements	Financial statements of a company must be audited annually. However, private limited companies may be exempted provided two limits are not exceeded simultaneously. These limits are related to total revenue, total assets and number of employees. A Tunisian branch is not required to conduct a separate audit of its financial statements, except if it is subject to profit transfer abroad.
Requirements for foreign investors	Foreign contribution in some services and activities other than those which are totally exporting activities (fixed by Decree) is submitted to the Superior Investment Commission's approbation (Article 52 of the Investment Incentives Code) when the contribution is more than 50 percent of the share capital. However, trade activities require special authorization which is given by the Ministry of Trade and is called a "Trade Card" (Carte de Commerçant). Moreover, foreign investors cannot invest in sectors monopolized by the Government (such as oil and gas, electricity, water distribution, post, tobacco, fire powder, matches) unless they obtain a concession. Nevertheless, wholly exporting offshore activities are not concerned by these restrictions.
Book year/accounting currency	The usual accounting year end is 31st December. Financial statements should be prepared in Tunisian Dinars. Derogations in relation to the year end and accounting currency may be obtained upon request and is subject to a formal approval of the Finance Ministry.
Format	The accounts and financial statements of a Tunisian taxable entity must be established and organized according to local GAAP and Tunisian legal requirements.

Tax

Approval requirements	A business does not require prior approval from the local tax authorities to commence business. However taxpayers must file a tax registration declaration to obtain a tax identification number (called "Patente").
Advance tax rulings/Advance pricing agreements (APA)	It is generally possible to obtain advance tax rulings from the Tunisian Tax Authorities. Tunisia does not provide advance pricing agreements.
Income tax compliance	The tax year is usually referred to as the fiscal year. The normal fiscal year runs from 1 January to 31 December. Profits (income and taxable gains) of a company are assessed for an accounting period. Taxable profits are determined on the basis of accounting statements. When there are discrepancies between tax rules and accounting rules, off-book adjustments are made. The corporate income tax rate is generally 25 percent for companies, 35 percent for certain activities (i.e. financial, telecommunications and services suppliers of Oil and gas operators. Those operators are though subject to a progressive rates ranging between 50 percent and 75 percent) and a rate of 10 percent is applicable for agriculture and fishing companies. The annual tax should not be less than 0.2 percent of the gross local turnover with a minimum of: • 300 Tunisian dinars for physical persons income tax; • 500 Tunisian dinars for companies subject to the tax rate of 25 percent

Withholding tax on dividends	Dividends distributed by a Tunisian company, as per 1 January 2015 relating to profits obtained as per 1 January 2014 are subject to a withholding tax of 5 percent. This withholding tax is applicable to resident physical person shareholder and to non-resident physical person and Corporate Shareholder.
Indirect tax compliance	The Tunisian Value Added Tax (VAT) system is based on the principle of territoriality. As such, all economic activities conducted in Tunisia including industrial and handicraft activities, liberal or commercial professions are subject to VAT. Other activities that are subject to VAT are: • Imports • Wholesales (other than for food products) • Retail trade for turnover that is equal or higher than 100,000 Tunisian dinars per year • Real estate transactions including sales VAT paid on purchases is deductible from the VAT collected on sales turnover. VAT rates are as follows: • A standard rate of 18 percent is applied on goods and services non subject to another rate • A 6 percent rate is applied on the craft industry, medical activity and canned food • A 12 percent rate is applied on information technology services, hotels and restaurants, services of experts, and some equipment imported or acquired under the investment incentive legislation
Other tax compliance	Withholding tax is made on payments to non-resident entities (e.g. royalties). The applicable rate is 15 percent unless more favourable rates are granted in accordance with the double-taxation treaties (if any). This 15 percent is increased to 25 percent in case the beneficiary is resident in a Tax heaven. This withholding tax discharges non-resident entities from corporate and income tax liabilities.
Director's liability to tax	As a general rule the salary of a director of a company is a deductible operational charge of the company including the salary of the director main shareholder of a private limited liability company.
Double Taxation Avoidance Agreements (DTAA)	Arab Maghreb Union (substitute Tax Treaties with Algeria, Libya, Mauritania and Morocco), Austria, Belgium, Burkina Faso, Cameroun, Canada, China, Denmark, Egypt, Germany, Ethiopia, France, Greece, Hungary, Iran, Indonesia, Italy, Jordan, Kuwait, Lebanon, Luxemburg, Mali, Malta, Norway, Pakistan, Netherlands, Poland, Portugal, Qatar, Romania, Senegal, South Africa, South Korea, Spain, Sultanate of Oman, Syria, Sweden, Switzerland, Chez Republic, Turkey, UAE, United Kingdom, United States of America, Yemen. The major trading Partners of Tunisia are: France, Italy, Germany, Spain, Libya, United States of America, Algeria, China, Turkey, Egypt, Brazil, Russia, Canada
Transfer price	Transfer pricing legislation is introduced on 1 January 2010 with the arm's length principle being the guiding principle This transfer pricing tax legislation is quite large. There is neither a specific documentation obligation nor a deadline when this documentation ultimately needs to be prepared.

United Arab Emirates

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Regulatory/Legal

Setting up business	Establishing business in the United Arab Emirates ("UAE") is subject to licensing requirements as well as foreign investment restrictions. Businesses can be set up in the UAE in the following two investment locations: • Mainland UAE • Free Trade Zones (FTZ) Mainland UAE is the area comprising the seven emirates which make up the UAE and the broader investment region outside of the FTZs. Mainland entities are permitted to carry out activities both within and outside of the UAE (subject to the laws of the countries concerned). FTZs are special economic areas established to promote foreign investment and economic activities within the country. At present, there are around forty FTZs in the UAE with many more in the pipeline and are permitted to carry out activities for which they are licensed for either within the FTZ where they are registered or outside the UAE (subject to the laws of the countries concerned).
Commonly used business entities	**Mainland UAE** Representative Office – Allowed to carry out only marketing and business development activities Branch – Can be 100 percent foreign owned. Activities are approved on a case by case basis Limited Liability Company (LLC) – 51 percent of the share capital has to be held by a UAE national or a company wholly owned by UAE nationals. Other forms of entities, such as partnerships, are generally open only to UAE nationals. **FTZs** • Free Zone branch • Free Zone Establishment (FZE): A single shareholder company. • Free Zone Company (FZCo): A multiple shareholder company. • Free Zone Limited Liability Company (FZ-LLC): Some FTZs do not make a distinction between FZE and FZCo and, instead, refer collectively to these entity types as FZ-LLC.

Main legal formalities for the formation of a company or registration of a branch	**Mainland UAE** A trade license for a company or branch must be obtained prior to beginning operations. A separate trade license is required for each Emirate in which the company or branch opts to do business. <u>Company</u> To register an LLC in mainland UAE it is necessary to register with the particular authority in the Emirate concerned. Depending on the Emirate in question, the identity of this authority and the extent of documentation required may vary. <u>Branch</u> Approval of the Ministry of Economy is required before applying to the relevant local authorities for a trade license and commercial registration with the Foreign Companies Register at the Ministry. Certain activities may require approval of other Ministries. The specific authorities to whom documents must be submitted and approvals obtained generally vary depending on the Emirate in question. It should be noted that the authorities scrutinize an application for the setting up of a branch very closely and licenses are granted on a case-by-case basis, depending on the merits of each individual application. **Free Trade Zones** Broadly, the process is split into two phases: initial approval phase and a legal documentation phase. In the initial approval the application and the project proposal are submitted and evaluated by the authorities. The second stage involves submission of legal documents of the shareholders/owners of the proposed entity. The legal documents must usually be notarized and attested in the home country of the shareholder/shareholding entity. Once approval is granted, the legal documents accepted and the registration and license fees are paid, the entity will be registered. Thereafter, a license to carry out the proposed activity is issued by the relevant FTZ authority, thereby completing the registration process. This license must be renewed annually. The exact process and the finer details on documentation can vary depending on the FTZ in question, the feasibility of the proposed business activities and the entity type.
Currency/monetary restrictions	Local currency is the United Arab Emirates Dirham (AED). There are no foreign exchange or monetary restrictions in the UAE.
Regulatory requirements for Financial Services	Financial services are governed by the UAE Central Bank. There is also a specific FTZ for entities providing financial services the Dubai International Financial Centre (DIFC) which is regulated by the Dubai Financial Services Authority (DFSA).

Accounting/Finance for companies and branches of foreign companies

Financial statements	There are no local accounting standards. Most international companies are known to follow the International Financial Reporting Standards.
Audit requirements	**Mainland UAE** The requirements for an LLC on mainland UAE are as follows: • LLCs must appoint auditors at the time of initial registration; the registration application requires that an auditor's certificate and a copy of the auditor's license be lodged with the application; • LLCs are required to keep accounts, appoint auditors and prepare audited annual accounts;

Audit requirements (Cont'd)	• There is no official requirement to lodge audited accounts with the trade license renewal application. In practice, the authorities can request that the audited accounts be provided when the trade license renewal is applied for. There are no similar requirements for a branch. However, in practice, the authorities have been known to ask for local audited set of financial statements when a license renewal application is made. **FTZs** The free trade zone regulations often require filing of audited financial statements in order for the free zone entity license to be renewed. In practice, companies get their accounts audited in accordance with internationally accepted accounting and auditing standards both for group reporting purposes as well as corporate governance.
Requirements for foreign investors	See earlier comments on ownership restrictions.
Book year/accounting currency	There are no specific requirements.
Format	There are no specific prescribed formats for financial statements.

Tax

Overview	**Corporate income tax** Mainland UAE There are seven Emirates, including Dubai and Abu Dhabi, which make up the mainland UAE. There is no corporate tax legislation at the Federal UAE level. However, corporate tax legislation has been enacted in some of the Emirates through their own decrees. Whilst tax decrees have been issued by some of the Emirates, tax is currently only enforced on foreign oil companies and branches of foreign banks. There is no guarantee that tax will not be enforced on other corporate entities at some time in the future since there is no specific legislation that grants exemption to non-oil or non-banking entities from tax. This existing framework has evolved in practice and, therefore, theoretically all corporate entities are liable to corporate income tax. FTZ Entities registered within FTZs benefit from a fixed tax holiday, generally lasting 50 years from the date of incorporation. Withholding taxes There are currently no withholding taxes in the UAE.
Abu Dhabi Developments – economic zones	Historically, there have been very few economic zones in the Abu Dhabi emirate (the highest concentration of FTZs is in Dubai). However, the continued growth and innovation in Abu Dhabi has seen the emergence of a number of fully functioning free economic zones with a view to promoting foreign direct investment. • **"TwoFour54"** is a government supported free zone that has been created to stimulate the content creation and media industry. • **"Masdar City"** focuses on renewable energy and the sustainable technologies industry. It is also open to industries and activities which are environment friendly.

Abu Dhabi Developments – economic zones (Cont'd)	• Khalifa Port and Industrial Zone (**KPIZ** or **KIZAD**) is the most recent economic zone to open its doors in Abu Dhabi. Abu Dhabi Ports Company is the governing authority. A resolution was passed by the Executive Council allowing 20 percent of the KPIZ land to be classed as a FTZ area. The key business activities for this economic zone are heavy to medium industrial energy intensive industries. • **"Abu Dhabi Airports Business City"** is established and spread over 3 Airports; Abu Dhabi International Airport, Al Bateen Executive Airport and Al Ain International Airport. Abu Dhabi Airports Business City has companies from various industry sectors, including Aerospace, Aviation, Airport Services, Consultancy, F&B outlets, Manufacturing, Logistics & Freight, Warehousing, Marketing & Events Technology & ICT, Energy, Oil & Petrochemical, Pharmaceutical, Luxury Goods, Retail etc.
Advance tax rulings/Advance pricing agreements (APA)	There are currently no advance tax rulings/advance pricing arrangements.
Income tax compliance	As corporate tax is only currently enforced on oil companies and branches of foreign banks and no withholding taxes exist, there are no requirements for filing of income tax returns.
Indirect tax compliance	**Customs duty** The only indirect tax levy in the UAE currently is customs duty. The countries of the Gulf Cooperation Council (GCC) from the GCC Customs Union which uniformly imposed 5 percent duty on the majority of goods entering the GCC. The GCC countries are UAE, Bahrain, Qatar, Kuwait, Oman and Saudi Arabia. This duty is charged at the first point of entry into the GCC and the goods on which the duty has been paid may then move freely between member states without payment of any further duty. Every importer is required to file customs declaration and other relevant customs documentation at the time of import into the UAE, as prescribed in the GCC Customs Law. The GCC countries are required to adopt the new HSN codes (HS 2012) as issued by the World Customs Organization codes with effect from 1 April 2012. **VAT** There is currently no sales tax or Value Added Tax on any goods or services except for sales tax on alcohol. The UAE, in conjunction with the other GCC states, has been actively considering the introduction of a Value Added Tax regime. Further details including the timeline for the introduction of Value Added Tax in the UAE remain somewhat limited, however, it is understood that Value Added Tax implementation would not occur before 2015.
Other tax compliance	There are no other tax compliance requirements in the UAE.
Director's liability to tax	Not applicable based on the current tax regime in the UAE.
Double Taxation Avoidance Agreements (DTAA)	UAE has an extensive network of more than 70 DTAA. Typically, an overseas tax authority requires proof of substance of a UAE entity in the form of tax residency certificate (TRC). The Ministry of Finance is the authority responsible for issuing TRCs. The UAE Ministry of Finance issues TRCs on a case by case basis, to the companies which are in existence for at least three years. In case of FTZs which have signed a Memorandum of Understanding with the Ministry (only 4 FTZs currently), the TRC can be obtained earlier.
Transfer pricing	There are no transfer pricing rules within the UAE.

Yemen

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Regulatory/Legal

Setting up business	There is currently no restriction on foreign ownership of any form of business in Yemen, except acting as an agency of a foreign company, which must be 100 percent Yemeni owned. Every activity requires some form of legal registration, e.g., opening a branch, forming a company, and/or obtaining a commercial registration. However, this is a legal formality; as a formally compliant company registration will normally not be refused, unless the activity is illegal or the parties have reputational issues. Industries that are regulated, make use of sovereign resources, or involve a grant of rights, such as banking, insurance, oil, minerals, telecommunications, or infrastructure (ports or public power generation) operation and maintenance normally require an agreement or approval from the responsible Government ministry. However subcontractors working in these industries are not generally controlled or regulated by the state. Investments are only subject to licensing if the investor wants to take advantage of tax preferences granted under the Investment Law.
Commonly used business entities	Foreign businesses in the oil & gas, banking, contracting, hotel, and services sector commonly operate via branches of foreign companies, which is also permitted for manufacturing, agriculture and fisheries. Foreign businesses may form companies for almost any kind of business, most commonly Limited Liability Companies (LLCs), which are however not permitted for banking or insurance. Joint stock companies (JSCs) may also be formed, typically for larger, more complex activities, or where wider shareholding is anticipated. LLCs are simpler and cheaper to form and liquidate, subject to less complex governance and regulation, have no defined minimum share capital, but are limited to 30 partners, with existing partners given priority to acquire any share up for sale. JSCs are more complex and regulated in every respect, but with practically unlimited transferability of shares and numbers of shareholders, and no restriction on types of activity. JSCs may be closed, open, or public. Joint ventures exist in Yemen, primarily in the oil sector, but are not really recognized in Yemeni law. Individual investors may also obtain commercial registration as sole proprietors, or participate in partnerships.
Main legal formalities for the formation of a company or registration of a branch	**Branch** A branch must have a General Manager, and an address and office in Yemen. A branch requires a nominal capital of US$ 30,000 or equivalent. The foreign parent's Certificate of Incorporation, Articles of Association, a Board resolution authorizing opening a branch and designating the General Manager, the General Manager's ID, and a bank certificate of the capital deposit must all be submitted to the Ministry of Industry and Trade (MIT) with a request for licensing. The complete process typically takes about six weeks from the time all documents are ready.

Main legal formalities for the formation of a company or registration of a branch (Cont'd)	**Companies** LLCs require a minimum of two partners and one manager, with no fixed minimum capital required. All shares must be paid up, and may be in Yemeni Riyal (YR) or another major or regional currency, commonly US$. The company must have an address and head office in Yemen. The Incorporation Contract, Articles of Association, identity documents for all shareholders, and a local bank certificate of the capital deposited must all be submitted to the Ministry of Industry and Trade (MIT) with a request for licensing. The complete process typically takes about two months from the time all documents are ready. JSCs require a minimum of five shareholders and three directors. Minimum capital is YR 15 Million or equivalent for closed JSCs, and YR 50 Million for open JSCs, divided into shares with a minimum value of YR 10,000 each. At least 25 percent of the value of cash shares must be paid up at subscription, with the balance paid up within two years of the date of establishment. Capital may be in Yemeni Riyal or another major or regional currency, commonly US$. The company must have an address and head office in Yemen. The Incorporation Contract, Articles of Association, identity documents for all shareholders, a local bank certificate of the capital deposited, and minutes of the founding General Assembly must all be submitted to the Ministry of Industry and Trade (MIT) with a request for licensing. The complete process typically takes about three months from the time all documents are ready, because of the publication requirements.
Currency/monetary restrictions	Yemen currently has no currency controls, other than documentary and reporting requirements of financial institutions that relate to managing foreign currency reserves and anti-money laundering compliance. YR is freely convertible in cash or via banks, and funds in any major or regional currency may be freely transferred abroad for any legal purpose.
Regulatory requirements for Financial Services	Banks, money changers and wire transfer agencies are all regulated by the Central Bank of Yemen. Insurance companies are regulated by the Insurance Department within MIT.

Accounting/Finance for companies and branches of foreign companies

Financial statements	Branches and Yemeni companies are required to attach audited financial statements to their annual tax declaration, which is due by 30 April of the following year, and for companies and branches whose finance year does not end at 31 December they could submit their annual tax declaration within the following four months from the end of their financial year. Commercial banks are subject to detailed financial reporting rules, largely based on International Financial Reporting Standards. Certain minimal content is defined for other JSCs in the Companies Law. Oil and mineral operators are subject to detailed reporting requirements in terms of the agreements governing them. Otherwise, Yemen has no accounting or auditing standards. International Financial Reporting Standards is typically applied by larger and foreign entities.
Audit requirements	As above, an audit by a chartered accountant licensed in Yemen is required for company financial statements attached to a tax declaration. No specific standards apply outside of the banking sector.
Requirements for foreign investors	Foreign and local investors are treated substantially the same under the law.
Book year/accounting currency	With very rare exceptions, all entities in Yemen use the calendar year. Financial statements may be prepared in a functional currency other than YR.
Format	As noted above, only banks and oil and mineral operators are subject to reporting in prescribed formats.

Tax

Approval requirements	A business should obtain a tax number from the Tax Authority when established. The tax card should be renewed each year.

Advance tax rulings/Advance pricing agreements (APA)	Advance rulings are generally not available. However, tax rules are generally either defined by law or regulation, or well established practice. Deviations from standard practice are generally not advisable.
Income tax compliance	The tax year is normally the calendar year. Some income tax is collected in advance, chiefly withholding tax from payments to foreign service entities or government contractors, and income tax in advance collected on imported goods at Customs points of entry. Otherwise, all income tax is declared and paid with the annual income tax declaration, due April 30th of the following year, four months from the end of the entities financial year. Taxable income is computed based on accounting profit before tax, with certain adjustments prescribed by the tax law and regulations.
Indirect tax compliance	**General Sales Tax** Most goods and services sold in Yemen are subject to General Sales Tax, which operates similar to a VAT, with a general rate of 5 percent. Businesses with gross annual taxable sales of YR 50 Million or more are required to register for General Sales Tax. General Sales Tax is charged on the face of the invoice on the gross invoice value. General Sales Tax is also levied at the point of import on imported goods, on CIF value plus duty and clearing charges paid. Registered General Sales Tax taxpayers pay 5 percent; importers not registered for General Sales Tax currently pay 5 percent plus an additional 5 percent is applied on some taxpayers to cover the notional tax that would have been collected upon various stages of resale (by a registered taxpayer), under the name "value added". Manufacturers in Yemen must charge and collect General Sales Tax, currently at 6 percent on gross invoice value at the factory gate, 5 percent General Sales Tax plus 1 percent to cover "value added" upon resale. General Sales Tax must be declared and paid monthly, by the 21st of the following month. All documented General Sales Tax paid on inputs may be subtracted from General Sales Tax due and payable for the month, to mitigate double taxation. Exports of goods or services are exempt, as are wheat, rice, baby milk, medicine, unworked gold, financial services, health, education, non-profit activities, domestic land transport, international transport, residential rents, utilities, sanitation, and the oil and minerals, foreign donor aid, and diplomatic sectors.
Other tax compliance	**Withholding Tax** Withholding tax on payments to foreign service contractors must be declared and paid by the 15th of the month following the month of payment. Withholding tax applies to all kinds of services, including royalties, intellectual property, management fees and interest, but not to dividends or other pure movements of capital. The withholding tax rate is 10 percent on payments for pure services to foreign non-resident parties, and 3 percent on payments for mixed (labour and material) contracts with foreign non-resident contractors. **Payroll Tax** Payroll taxes (salary tax, social security, and Skills Development Fund contributions) are solely the responsibility of the employer, and must be deducted as appropriate, declared and paid monthly.
Director's liability to tax	Directors are subject to tax as employees on any defined compensation paid to them.
Double Taxation Avoidance Agreements (DTAA)	Yemen has tax treaties with most Arab countries (excluding Saudi Arabia), Ethiopia, Pakistan, Iran, and Turkey.
Transfer pricing	No detailed transfer pricing rules exist in Yemen. However, deductibility of costs may be disallowed if not considered reasonable, such as a negative gross profit, or if costs appear too high in relation to similar costs declared by other taxpayers, or in relation to third-party purchases.

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Designed by Evalueserve.
Publication name: MENASA Tax Guide 2014–15
Publication number: 131953
Publication date: December 2014