

Tenders in GCC & Tax Competitiveness

Agenda

- Overview of GCC countries
- Project Tender Process in GCC
- Taxation in GCC

Market Information

Country	GDP/Capita*	Population**	GDP World Rank*	Import of Goods & Services (% GDP)*	1 st Country of Import***
Saudi Arabia	\$20,540	28.3M	17 th	31%	EU
Kuwait	\$62,664	2.7M	48 th	21%	N/A
Qatar	\$92,501	1.6M	49 th	31% (in 2009)	EU
U.A.E.	\$45,653	8.2M	25 th	69% (in 2010)	EU

* Source: World Bank Data Centre 2011

** Source: UN Statistics 2011

*** Source: WTO 2011

Operation, Tax and Legal Data

Country	Ownership	Tax Registration	Commercial License Registration	Rank in Difficulty of Starting Business*	Tax Rate	True after Tax Income Available	Tax Treaty with Canada	WHT Applicable
Saudi Arabia	100% Allowed	Relatively Easy	Relatively Difficult	78	20%	80%	No	5%/15%
Kuwait	Maximum 49%	Difficult	Difficult	142	15%	41.65%	Yes	No
Qatar	Maximum 49%	Difficult	Relatively Difficult	109	10%	44.10%	No	5%/7%
U.A.E.	Maximum 49%	Easy	Relatively Easy	22	0%	49%	Yes	No

* Source World Bank Data Centre

Competition

- Established and newly entered Asian players
- Opportunities for contacts under \$50M
- Use of databases to identify market specific competitors

Developing the Strategy

- Contact contract department of potential clients
 - Prequalification forms to be filled
- Local resources
 - Embassy
 - Local chamber of commerce
 - Networking forums
- Local business development agent
- Joint Venture partnerships
- Local newspapers

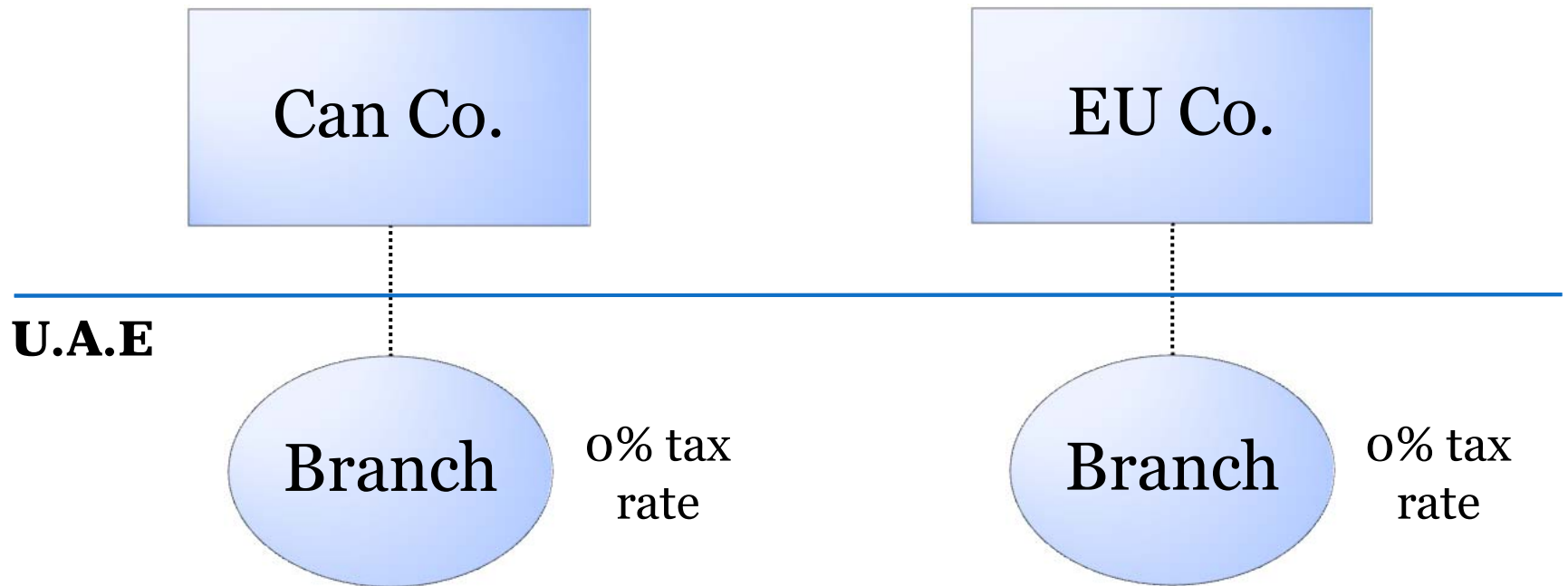
Developing the Strategy

- Importance of local presence
- Initial investment of resources
- Pre-qualification is key, what does it entail?
- Prime contractor vs. subcontractor

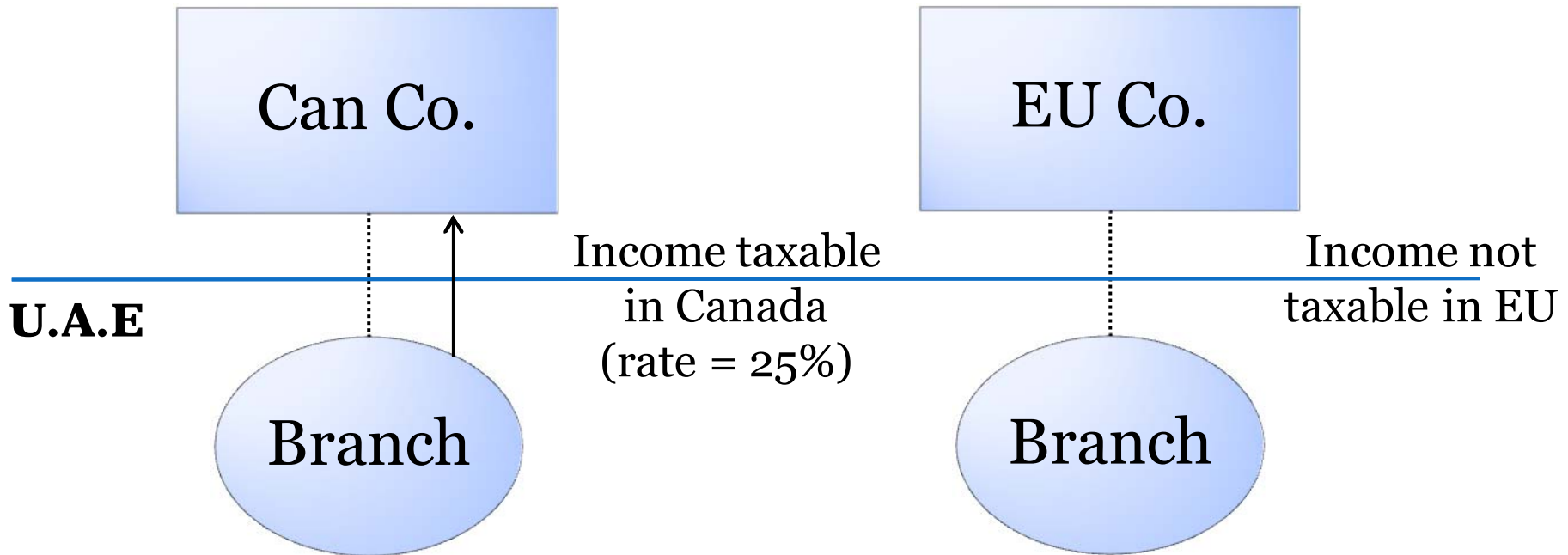
Tax as a Competitive Strategy

Canadian Tax Regime	Major EU Tax Regimes
Worldwide system	Territorial system
Income from offshore branches are taxable in Canada	Income from offshore branches are <u>not</u> taxable in country of residence

Illustration



Illustration



Numerical Example

Canadian Corporation	
Income earned in U.A.E	\$1,000,000
Tax in U.A.E	\$0
Tax in Canada (rate = 25%)	\$250,000
After-tax Cash	\$750,000

EU Corporation	
Income earned in U.A.E	\$1,000,000
Tax in U.A.E	\$0
Tax in EU (rate = 0%)	N/A
After-tax Cash	\$1,000,000

Saudi Situation

- Saudi Arabia effective tax rate of 24%
- Not a significant tax differential
- Withholding tax up to 15% (on gross income) for offshore services
- Canadian unfavorable FTC regime

Optimisation Strategies

- Factors to consider
 - Current company's international presence
 - Future company's international plans
 - Which jurisdiction is targeted
 - Main competitors in the industry
 - Cost-benefit analysis
 - Appetite for tax optimization

Questions?

The logo for SdM, consisting of the letters 'SdM' in a bold, dark blue, sans-serif font. The 'S' and 'd' are connected, and the 'M' is separate.

Chartered Professional Accountants

Simon Davari, CPA, CA
Partner in charge

514-865-9902

simon.davari@sdmaccounting.com