

September 2011

MENA Tax Brief

Tax

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Editorial

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Kuwait

EXECUTIVE RULES AND REGULATIONS OF JANUARY 2011

This Tax Update has been prepared to provide summary of the executive rules and regulations issued by the Kuwait Income Tax Department in January 2011. These new executive rules and regulations are effective from the tax year ending 31 December 2010.

1. Executive Rule No. 18: Registration of investment funds and portfolios and direct investment

1.1 Investment fund managers, investment custodians and companies managing investment portfolios for incorporated bodies are required to complete and submit to the tax department the designated form providing the following information about the investments held by their clients.

- (i) Name
- (ii) Nationality
- (iii) Date of commencing activity and period of investment
- (iv) Percentage of investment in the fund or portfolio
- (v) Share of dividend distributed

1.2 Foreign entities that invest directly (i.e. not through a fund or portfolio) in securities listed on the Kuwait Stock Exchange are required to complete and submit the designated form providing the following information to the tax department.

- (i) Name, trading / clearing account number and activity
- (ii) Nationality
- (iii) Date of commencing activity and period of investment
- (iv) Percentage of investment (in the issued and paid up capital of the security purchased)
- (v) Amount of dividend earned



In a meeting held with our firm, the tax officials have clarified that the above requirement applies only to those foreign entities that are subject to tax in Kuwait and entities who receive dividend from companies listed on the Kuwait Stock Exchange without deduction of the 15% tax.

2. Executive Rule No. 19: Informing the tax department of changes

Fund managers, custodians and portfolio managers are required to notify the tax department of the following within 30 days:

- Change or amendment of information provided in the designated forms under Executive Rule No. 18
- Cessation of activity by the client
- Sale, assignment or swap of the security held

3. Executive Rule No. 20: Payment of tax on dividend

Fund managers, investment custodians and portfolio managers are required to deduct and pay to the Ministry of Finance – Tax Department, 15% tax on dividend received into client account.

The tax has to be paid within 30 days of receiving the dividend. Additionally, the fund managers, investment custodians and portfolio managers are required to complete and submit the designated form containing the following information:

- Name of the client
- Address of the client
- Nationality of the client
- Date of dividend distribution
- Share of client (in the issued and paid up capital of the company distributing the dividend)
- Amount of dividend
- Amount of tax

4. Executive Rule No. 21: Issue of release certificate

Executive Rule No. 21 sets out the procedure and forms to be completed to obtain release certificate from the tax department so that a 15% tax deduction is not made on dividends earned by entities owned by Kuwaiti and GCC nationals.

5. Executive Rule No. 22: Dividend tax refund

A tax refund can be claimed by incorporated bodies within five years from the date of payment of any excess tax on dividend, by completing and submitting the designated form for claiming tax refund.

6. Executive Rule No. 25: Design and consultancy expenses

There are no changes in the rules and regulations relating to design expenses.

For consultancy work carried out outside Kuwait, the maximum deduction allowed for expenses is limited to the following:

- 70% to 75% of the consultancy revenue if work is carried out by the head office
- 75% to 80% of the consultancy revenue if work is carried out by related entities
- 80% to 85% of the consultancy revenue if work is subcontracted to unrelated parties

7. Executive Rule No. 36: Foreign exchange gain or loss

- Unrealized foreign exchange translation gain is not taxable
- Unrealized foreign exchange translation loss is not allowed as deductible expense
- Realized foreign exchange gain is taxable and realized foreign exchange loss is allowed as a deductible expense

8. Executive Rule No. 40: Reimbursable cost

In a deemed profit assessment, the tax department will not consider reimbursable cost as revenue if the following conditions are satisfied:

- Reimbursable cost is necessary to carry out the work and is clearly mentioned in the contract
- The reimbursable cost does not exceed 30% of the revenue
- Proper documents are available in support of the reimbursable costs

9. Executive Rule No. 49: Sale of unlisted shares

Foreign entities who sell their share in unlisted Kuwaiti company have to provide the following at the time of tax inspection and assessment:

- Sale contract authenticated by the Ministry of Justice in Kuwait
- Amended memorandum of association of the unlisted Kuwaiti company
- Documents showing the payment of receipt of the sale consideration

In addition to the above, the acquirer may be asked by the tax department to provide financial statements, books of account and records, as necessary, for inspection.

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Lebanon

The e tax filing project in Lebanon, pursuant to article 64,65,66, of resolution No. 1/453 dated 22/4/2009 which determines the minutes of application of the provisions of article 38 of the Law of Tax Procedures concerning registration requirements and conditions for the e tax filing, is underway.

Ernst & Young Beirut is following up with Central Taxpayers Database Department at the Ministry of Finance (MOF) to provide regular update about the status and progress of this project.

You will find below summary of the registration steps, declaration mechanism, required documents and general provisions which are published on the MOF site.

REGISTRATION IN THE E TAX SYSTEM ENTAILS THE FOLLOWING STEPS

STEP 1

The Taxpayer has to complete and send electronically the registration form. The form will be available on the Ministry of Finance site (www.finance.gov.lb)

STEP 2

After verifying the completed taxpayer's information as per the

online registration form, a page will appear notifying the Taxpayer about receiving the registration form by the Ministry of Finance and contains the required documents to complete the registration process

STEP 3

The MOF will then send an electronic message (e-mail) to the taxpayer's e-mail to confirm the taxpayer's e-mail

STEP 4

The MOF will send an e-mail to the taxpayer including the application reference number and a receipt which includes the reference number to be used by the taxpayer to proceed with the registration for the e tax filing

STEP 5

The Tax payer will then receive a notification e-mail which determines the date for the taxpayer to collect the electronic identification password (e-Pin) and the required documents

STEP 6

The Taxpayer or the official representative (The representative has to submit authorized letter for representation) will collect the e-pin in a closed envelop from the Department of Central Taxpayers Database at the set date after delivering the required documents and a signed attestation letter

DECLARATION MECHANISM

STEP 1

The Taxpayer has to complete the tax returns using the tax return forms on the MOF site within the deadline and send it back electronically through the system

STEP 2

The Taxpayer will then receive by e-mail a filing receipt having the date of filing

STEP 3

The Taxpayer should print out the field return and the receipt and retain them after signing them. The electronic receipt is considered as the official declaration receipt and the date on that receipt is considered the real date of declaration

THE REQUIRED DOCUMENTS

First: For companies

1. Signed attestation letter from the company's authorized signatory or company's legal representative without reservation or recourse.
2. A copy of the applicant's ID
3. A copy of the company's commercial registration certificate

4. A legal representation letter prepared by a Notary Public or the commercial registry which includes the name of company's authorized signatories and specimen of their signatures

5. The follow up receipt which includes the application reference number.

Second: For Sole proprietorship

1. Signed attestation letter from the company's authorized signatory or company's legal representative without reservation or recourse.
2. A copy of the applicant's ID



Jordan

Highlights of main amendments

Following the release of an amended Tax Law for the year 2009 effective as at

1 January 2010, Khleif and Samman is pleased to highlight here below the main amendments [referred to herein as the Amended Law] compared with the previous Law [referred to as the Previous Law] and here wish to draw your attention that the Previous Law was copied from the Law itself].

TAX CATEGORIES FOR COMPANIES:

The previous law:

Based on Article (16), paragraph (B) tax charged on the taxable income of any person or company is according to the following rates:

Rate 15%	Rate 25%	Rate 35%
Construction Contracts	Insurance	Banks and financial
Metallurgy / Mining	Exchange companies and intermediation / Brokerage	Branches of Jordanian companies operating abroad outside the Kingdom
Industry / Manufacturing	Communications	
Hotels	Services	
Hospitals	Businesses / Commercial	
Transportation	Any other companies	

The amended law:

Based on Article (11), paragraph (B) tax charged from the taxable income of a company is according to the following rates:

Rate 14%	Rate 24%	Rate 30%
All other companies	Insurance	Banks and financial
	Exchange companies and intermediation / Brokerage	Branches of Jordanian companies operating abroad outside the Kingdom
	Communications	
	Financial	
	Businesses / Commercial	
	Companies operating in financial leasing	

Therefore, a unified rate of (14%) is applied to all companies, except for Insurance companies, exchange companies and Financial intermediation, and communications, which became subject to (24%) while banks rate is (30%).

LEGAL COMPENSATION**The previous law:**

This item was not addressed previously.

The amended law:

Based on Article No. (38) the legal compensation in case of shortage in the declared tax amount on the tax return submitted by the taxpayer, the taxpayer is obliged to pay legal compensation as per the following rates:

A. If it is proved there is a shortage or undeclared income in the tax return (the tax declaration) submitted by the taxpayer, a legal compensatory amount is levied based on the following rates:

- (15%) of the tax difference if the difference exceeds (20%) and less than (50%) of the legally due tax.
- (80%) of the tax difference if the difference exceeds (50%) of the legally due tax.

B. Any due taxable amount on the taxpayer based on the assessment decision should be 100% settled.

- C. 1) If the taxpayer agrees on the objection committee's assessment decision then, the taxpayer should settle quarter of the agreed legal compensation based on the provisions of paragraphs (a) and b) of this Article.
- 2) If the taxpayer agreed on an amicable settlement with the Tax department following a claim held by the taxpayer or the tax General Attorney, as the case may be then, the taxpayer settles half the agreed legal compensation based on the provisions of these two paragraphs.

FINES**The previous law:**

Based on Article No. (27), paragraph (a) (2%) is to be added to the tax due in respect of every month of failure to file the Return by the tax payer that the total sum of additional tax does not exceed 24% of the tax due.

The amended law:

Based on Article No. (52) any taxpayer who is late in filing his tax return within the specified period is charged a fine of JD50 for individuals and JD 200 for the entities except for public shareholding companies and private equity firms, a penalty of JD 500 is applicable.

The previous law:

Based on Article No. (38) If the tax or amounts due for payment on the tax account are not paid in their specified dates according to the provisions of this law, an equivalent of (1.5%) of the tax amount or the indicated amounts shall be added to the tax balance for each month of delay from the legally specified date with an open ceiling.

The amended law:

Based on Article No. (35) paragraph (A): In case of non-payment of tax within the specified period, the tax department will collect four per thousand (0.004) on due tax or any amounts that should be deducted and forwarded to the tax department, for each week of delay or any part or it. Paragraph (B) if the taxpayer submits the tax return, pays the declared tax within the specified period and pays any tax differences thereafter then, as per Paragraph (A) of this Article, penalty on the difference will be charged at (35%).

ENCOURAGEMENT DISCOUNT**The previous law:**

Under Article No. (28) paragraph (B): Every person who has submitted a correct tax return and paid the declared tax enjoys

the right to deduct (6%) of the due tax if the payment is made within the subject year covered by the return or during the first following month and (4%) if the payment is made during the second following month and (2%) if the payment is made during the third following month of this year. Similar deduction is granted for any amount paid on account or deducted and paid to the tax authority.

The amended law:

Based on Article No. (68) the encouragement discount has been canceled for the year 2010 and subsequent years.

FIXED RATE TAX

The previous law:

Based on Article No. (32), an annual fixed rate tax was imposed on certain categories of taxpayers and related instructions were published specifying fixed rates from which we mention two sectors as examples (a fixed rate of 1.3% for the construction sector and 2.6% for engineering firms).

The amended law:

All types of fixed taxes were canceled to all sectors and taxpayers except for the construction sector, which was previously imposed on (housing, engineering offices, pharmacists, bakeries, ... etc) and adopting rates in accordance with Article (11) of the amended law, and as previously clarified in paragraph "Tax Categories for Companies". Fixed tax implemented on the construction sector remains applicable while the percentage rate has not been set yet by the legislator.

THE AGRICULTURAL SECTOR

The previous law:

Based on Article No. (7), Income earned from agriculturally invested lands or gardening or forestry or poultry, cattle, fish or bees breeding is fully exempt from taxes including income from the transformation of related products by simple manual labor.

The amended law:

Based on Article No. (6), income earned from agricultural activities in the Kingdom is subject to tax after exempting the first JD 75,000 of the company's income.

INCOME FOR NON-RESIDENT

The previous law:

Based on Article (18) paragraph (A); every person upon paying a non-exempt income to a nonresident, whether directly or through a medium should deduct 10% of such income and prepare a statement showing both the income earned and sum deducted. A copy of such statement is to be given to both the Income Tax Department and the beneficiary. The deducted

amount should be then be paid to the aforementioned Department within one month from the date of the deduction.

The amended law:

Based on Article (12) paragraph (3/A); a (7%) peremptory tax must be deducted from investment, royalties or any other non-exempt tax income that is paid by a resident directly or indirectly to a non-resident. Such tax must be forwarded to the department within thirty days from payment or maturity date, whichever comes earlier.

RENTAL ALLOWANCE

The previous law:

There is no legal statement.

The amended law:

Based on Article (12) paragraph (5/A); any resident (person or company) upon paying rent on taxable property to a resident; should deduct 5% of the amount and forward it to the Tax department within thirty days from payment or maturity date whichever comes earlier.

SERVICE FEES

The previous law:

Based on Article (19) paragraph (2/A); any company, or public corporation, or any entity or individual upon paying any amount as part of a commitment or annuity or fees or wages and so forth to self-employed residents including payments in return to royalties should deduct 2% of such returns as payment of due tax account and forward such deducted amount to the Tax Department within a maximum of 90 days from the payment date.

The amended law:

Based on Article (12) paragraph (1/A); a 5% income tax should be deducted in return to a service made between a resident (person or entity) to another resident and forward the amount to the Tax Department within thirty days from the payment or maturity date, whichever comes earlier.

SALARIES AND WAGES

The previous law:

Based on Article (16) paragraph (A) Tax is charged on taxable income of any natural person (individual) according to the following categories:

- For each Dinar of the first (2000) (5%).
- For each Dinar of the following (4000) (10%).
- For each Dinar of the following (8000) (20%).
- For each Dinar thereafter (25%)

RETIREMENT PENSION

The previous law:

Based on Article (7) paragraph (11); due retirement pension shall be fully exempt from tax under the provisions of Laws and Regulations.

The amended law:

Based on Article (4) paragraph (15); the first JD 4,000 from the resident's retirement pension shall be exempt from tax.

END OF SERVICE INDEMNITY

The previous law:

Fully tax exempt.

The amended law:

As of 1/1/2010; (7%) of (50%) of the end of service indemnity should be deducted.

BOARD OF DIRECTORS' REWARD AND NON-MONTHLY WAGES

The previous law:

Based on Article (4) of System No. (7) for the year 2003; the employer upon payment of a non-monthly wage or salary including any Directors' reward should deduct (10%) of the total payment as a payment on account to the Tax Department and an additional 10% of the tax deducted as Social Services Tax after deducting the partial exemptions from the salaries and

wages in accordance with Paragraph (A) of Article (14) of the previous Law.

The amended law:

Based on Article (4) of System No. (1) for the year 2010; the employer upon payment of a non-monthly wage or salary including any Directors' reward should deduct (7%) of the total amount. The 10% Social Services Tax was canceled.

In addition to the above the following legislations were canceled as of the effective date of this law:

- Social Services Law No. (89) for the year 1953.
- Provisional Higher Education and Scientific Research Amended Temporary Law No. (24) for the year 2009.
- Article (8/A/1) of the Council for employment, training, vocational and technical education no. (46) for the year 2008.
- Jordanian Universities Surcharges (Additional fees) Law as of 1/1/2011.

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Egypt

Tax

Officials had decided to extend income tax payments to be made over three installments maximum by June 30, 2011, as well as exempting businesses from late charges incurred, extended tax payments is a positive measurement to ease the impact of the current situation on businesses and employees.

Egypt Stock Exchange

Egypt's financial market regulator (EFSA) has decided to extend by one month the deadline for listed companies to declare results for the period ending Dec. 31, 2010, and the first quarter results March 31, 2011, " All companies listed on the

smaller exchange Nilex must publish their financial statements from June 30.

Banking

The Central Bank of Egypt (CBE) will allow local banks to extend the period after which retail loans are classified as non-performing loans to 90 days versus the previous grace period of 30 days. The resolve came shortly after the CBE asked lenders on April 14 to allow retail borrowers to postpone installments on loans while exempting them from overdue payments on their non-performing loan provisions. Banks were also given permission to defer payments from all retail customers for January,

February and March 2011 as long as no additional interest for those three months was added and delays did not go against the borrower's credit history.

Tourism

Egypt is starting to see a return of tourists; measures have been taken to increase security in and Egypt. During the revolution and up until recently, the number of visitors was very low, Tourism is one of the top three revenue earners for the country's economy, and it was cut by more than 80% after unrest that followed the revolution.

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Pakistan

For the FY ending June 30, 2011 Government of Pakistan has introduced various revenue measures in a bid to reduce fiscal deficit and achieve tax collection target of Rupees 1.6 Trillion. All such measures are likely to end up in further upsurge of inflation to a greater extent. The fiscal measures introduced are summarized as under:

INCOME TAX

Capital Gains on the disposal of listed securities made liable to tax which were exempt for the last more three decades.

Minimum Income Tax on turnover has been enhanced from 0.5% to 1% of turnover.

Surcharge @ 15% has been imposed on the income tax payable for the period from March 15, 2011 till June 30, 2011 (three and a half months) for Tax Year 2011. The 15% surcharge is also subject to deduction at source along with the income tax deductible / collectible under the Income Tax Ordinance, 2001.

Agricultural produce (wheat, rice, fruits, vegetables, etc.) were not subject to tax withholding irrespective of the fact that it was purchased from any person. Now an amendment has been made whereby agriculture produce purchase directly from the

growers / producers alone would qualify for exemption from withholding and not from any person other than grower / producer like brokers or commission agents, etc.

SALES TAX & FEDERAL EXCISE DUTY

General rate of Sales Tax has been enhanced from 16% to 17%.

Sales tax has been imposed @17% on the following goods which were exempt earlier:

Tractors;
Fertilizer and pesticides
Plant & Machinery

Sales tax has been imposed on Sugar on its actual value instead of fixed value

Rate of Special Excise Duty (SED) has been increased from 1% to 2.5% for the period from March 15 to June 30, 2011.

Retailers and unregistered person engaged in export oriented sectors like Textile, Leather, Sports and surgical goods are now subject to lower rate of Sales tax @ 4% to 6% for the period March 15 to June 30, 2011.

Bahrain

Expansion of the tax treaty network

BAHRAIN- MALTA TREATY :

A tax treaty with Malta was signed on 12 April 2010 but it has not yet taken effect. Under the terms of the treaty, payment of dividends, interest and royalties between both countries will be subject to 0 % withholding tax.

BAHRAIN – UNITED KINGDOM TREATY

A tax treaty between Bahrain and the United Kingdom was signed on 10 March 2010, it has not yet taken effect. Based on this treaty, the payment of dividends, interest and royalties between the countries to 0 % withholding tax rate

subject satisfaction of various conditions. Changing the mechanism of article 5 of law 91 (2005) concerning withholdings tax deductions from the payments to non- resident entities:

The Egyptian Tax Authority has recently issued ministerial decree 771 (2010).



The new ministerial decree outlines Double Taxation Agreement (DTA) Guidelines regarding reduced rates for amounts paid to non-resident entities in Egypt according to Article 56 of the income tax law.

Withholding tax at a rate of 20 % should be applied on all interest and royalties payments made to non-resident entities, regardless of the application of the DTA reduced rate, if any.

A specific procedure must be followed:

- The recipient entity or its legal representative must submit an application to the Egyptian tax authority

within six month of the payment date.

- The recipient entity or its legal representative fills form N 1 (Withholding Tax: refund of Withholding tax) and attaches the following:
 - A residence certificate authenticated by the tax administration of the country in which the recipient is resident.
 - A declaration by the recipient confirming that it is the beneficial owner of the income and that the income is not related to a permanent establishment in Egypt:
 - For royalty payments, supporting documents indicating that the recipient is the beneficial owner of the rights generating the royalty (has a patent or trademark).
 - The loan or royalty agreement between the parties.

The Egyptian Tax Authority must respond to the request within ninety days of receiving the required documents.

Decree 771 was published in the official Gazette on 4 January 2010 and came into force on 5 January 2010.

TRADING IN SECURITIES LISTED ON THE KUWAIT STOCK EXCHANGE (KSE)

Provisions relating to the taxation of foreign entities investing in securities listed on the Kse continues to be an area of uncertainty. The ministry of finance (mof) has provided further information unofficially and on the condition that there would be no responsibility on their part if the final rules were different than those indicated by them.

The indications given by the Mof officials are :

Income subject to tax :

No tax shall arise on capital gains arising from trading in securities listed on the kse. The mof has, however, not indicated whether their aforementioned view towards capital gains arising from trading in securities listed in the kse would differ if the shareholding of a foreign investor in a company listed on the kse were to exceed a certain threshold, i.e. in the case of strategic investments by foreign entities in

companies listed on the kse or if the securities were held in excess of a certain period of time.

- Dividend income shall be subject to a 15% withholding tax.
- The tax must be withheld by the foreign investor's custodian in Kuwait.
- The mof is aware of the fact that certain double tax treaties may have specific provisions different from the Kuwait Tax law about taxation in dividend income.
- We expect formal clarification from the Ministry of Finance in due course



TAXATION OF REVENUES FROM INVESTMENTS IN MALLS

The Lebanese tax system different kinds of income to different kinds of taxes according to the nature, source of income and whether the taxpayer is an individual or a company.

The general rule is that nature or source of income is the general factor which determines the kind of tax to be levied and not the identity of the taxpayer.

Revenues from investment in malls are subject to built property tax and not to income tax even if the business is carried on under the umbrella of a company.

The Lebanese companies whose activities are restricted to constructing, leasing and managing commercial malls (where leasing and re-leasing constitutes their core, if not the sole, business activity) are rental revenues subject to built property tax rather than corporate income tax as stipulated in articles 2, 3

and 4 of the Lebanese tax law.

According to the built property tax law, income subject to tax includes:

- > Rental income (including fees for services provided by the landlord to the tenant).
- > Estimated rental income determined by the department of built property tax in cases where there is no rent contract or in cases of self occupation by the landlord or in cases of occupation by another party for no rent (free of charge)

NEW INCOME TAX LAW

Law 7/2010 (the income tax law) was published in the official gazette 28 april 2010. The law is effective from that date. 'implementing regulations' will be issued in due course which will set out the process by which the new law will be adopted. They have not yet been issued. Until publication of the new implementing regulations, the existing regulations to income tax law 11/2004 remain in place.

We await clarification as to the date and method of the application of the new corporate tax rates to profits arising in calendar year 2010. We expect that one third of fy 2010 profits will be assessed at old rates and two thirds at new rates. The major changes in the law are set out below.

Corporate tax

Corporate tax rates on company profits will be reduced from progressive rates rising to 40% to a flat rate of 20% of profits.

Personal taxes

Tax bands will be extended and rates will be reduced to:

First LD 12,000 of income 5%
Excess 10%

There are minor changes to personal allowances.

TREATY BETWEEN OMAN AND TURKEY

Oman has recently ratified the double tax treaty between Oman and Turkey which was signed on 31 May 2006. The treaty follows the OECD model convention.

> Applicable withholding tax rates are;
 > Dividends: 15% in general cases; 10% of gross amount of dividend if the beneficial owner holds directly at least 15% of the capital of the company paying the dividend.

(however, Oman does not impose any withholding taxes on dividends.)

> Royalty: 10% of the gross amount
 The definition of permanent establishment (PE) also includes a clause on a construction PE where the site or project continues for more than twelve months.

Business profits of an enterprise which are directly attributable to a PE are to be taxed as per treaty provisions whereas expenses incurred for the PE including executive and general administrative expenses are allowed as deductions.

However, amounts paid by a PE, to head office in respect of royalties, fees or other similar expenses for the use of patents or rights or commission in respect of management services are not allowed as deductions.

Qatar publishes draft executive tax regulations

On 25 May 2010, the Qatar tax authority published a set of draft executive regulations relating to the implementation of the new tax law that was enacted on 17 November 2009.

The public revenues & tax department

invited comments on these draft regulations from the business community with feedback to be provided to the department on or before 10 June 2010.

We have provided the department with a comprehensive set of observations and comments for improvement and amendment and our submissions are currently under review by officials in the ministry of economy and finance.

RECENT DEVELOPMENTS AND CLARIFICATIONS ON TAX ISSUES BY THE SAUDI ARABIAN DEPARTMENT OF ZAKAT AND INCOME TAX (DZIT)

Implementation of tax treaty provisions on payments subject to withholding tax.

The department of zakat and income tax (DZIT) has recently issued procedures regarding implementation of tax treaty provisions in relation to payments subject to withholding tax (WHT).

The DZIT's circular, outlines procedures for payments subject to WHT:

> A resident party making payments to a non-resident party should withhold and settle WHT in accordance with the provisions and rates specified in the income tax regulations;

> If the applicable tax treaty grants exemptions or reductions in respect of

WHT rates specified in the income tax regulations, the resident party making the payment is required to apply for a refund of overpaid WHT based on the following:

- A letter from the non-resident beneficiary requesting a refund of the overpayment.

FACILITATING VAT COMPLIANCE

The balance of taxation around the world is shifting from taxes on income to taxes on consumption. As governments seek to deal with historic budget deficits, consumption tax rates are increasing and they are looking to enforcement to protect their revenue bases.

Consumption taxes include value added taxes (VAT), goods and services taxes (GST) and sales taxes, but for ease of reference we will refer to these taxes collectively as VAT. Most countries levy a VAT and, while the detailed rules may differ, the compliance issues are broadly similar and will also apply to local sales or business services taxes.

