MOORE STEPHENS

Spring 2013

MSME News

PRECISE . PROVEN . PERFORMANCE

NEW KUWAIT COMMERCIAL COMPANIES LAW

December 2012 - the new Companies Law is published and replaces the Commercial Companies Law of 1960. Existing commercial entities will need to assess if changes will have to be made to their current structures to comply with the new law , companies have a six-month grace period to conform to the new regulations from the date of publication.

Greater emphasis on corporate governance and transparency and reduction in "red tape" for establishing new businesses.

Key changes

- one-stop shop for the incorporation and licensing of a company through a single department at the ministry of commerce and industry.
- the law requires a more stringent adherence to best practices of corporate governance.
- separation of the board of directors from the executive management
- expansion of the powers of managers and directors
- introduction of corporate regulations regarding sukuk, bonds and convertible bonds.
- elimination of minimum shareholding requirements and security shares for members of the boards of directors of stock companies,
- adoption of the cumulative voting system for the election of board members.

One point that will remain unchanged, however, is the existing restrictions on foreign ownership and the principle of a minimum 51-per-cent Kuwaiti shareholding in the capital of Kuwait companies.

Inside

Moore Stephens Qatar Launch

Sami Zaitoon

is the Managing Partner of Moore Stephens member firm in Qatar. He specializes in corporate finance, investment banking, strategic finance, and strategic management including
assignments like capital restructuring, feasibility studies, business valuations, debt restructuring, corporate restructuring and business plan development.
Sami's role covers the coordination and development of Corporate Finance & Transaction Advisory Services within

Moore Stephens Qatar officially started operating last December 3, 2012

As one of the member firms
of Moore Stephens International Limited, we are focused on assisting clients develop and implement strategies that will create sustained values for their organization. We also thrive and encourage Business Responsibilities by promoting the use of clean energy, recyclable materials and healthy environment.
Combining between the good quality and the quantity of different state of the art services, allows us to develop ourselves and to enhance our brand in the Audit, Assurance and consultancy market.
Being one of the 299 firms in 101 countries of Moore Stephens International, extends our portfolio in the international presence and gives us the ability to draw on professional resources from across the globe in addition to being aligned with international best practices.

Hassib M. Kay

is the Executive Partner of the member firm of Moore Stephens Qatar- having over 20 years of professional experience, he specializes in Management Consultancy, ranging from Strategic
Management (Strategy Formulation, Documentation, monitoring, assisting corporations and SMEs in achieving strategic consistency); Business Process Management (BPM, BPE, BPR, TQM, Policies and Procedures Manuals Development); to Business Risk Services (Compliance Audits, Operational Audits, Agreed upon procedures, IT and IT Security Audits for a number of major international clients from private to public entities. His role encompasses the coordination and development of Management Consulting and Business Risk Services on a local and international basis within Moore Stephens.
Hassib is acting as the International Liaison/ Affairs representing Moore Stephens Qatar; he is the focal point for all communications and queries raised by member firms across

Fathi Abu Farah

is the Audit Partner of the member firm of Moore Stephens Qatar and is responsible for ensuring that the audit in Qatar office operates as per the international standards. He has considerable audit, consulting and taxation experience and is abreast of the latest international and local accounting practices. He is in a good position to ensure that the audit is
conducted in accordance with the International Standards of Auditing (ISAs) as well as the technical standards set by Moore Stephens International Limited. He has wide ranging experience in handling audits and multi-disciplined consulting assignments that include cost control techniques, project financing, corporate structuring, and other financial matters. He is also experienced in conducting training programs and in the implementation of professional standards.

Moore Stephens Qatar sponsors "ABPMP Qatar Chapter – Launching Event"

The "ABPMP Qatar Chapter- Launching Event" which was organized by Access Centre with Mowasalat and Moore Stephens member firm in Qatar as major sponsors was held in Grand Heritage Doha last January 20, 2013. The Association of Business Process Management Professional (ABPMP) is considered one of the largest and prominent global associations guided and led by Business

Process Management (BPM) to promote development in BPM concepts and practices. It has more than 50 chapters operating around the globe making it unique and thrives for worldwide success. Being part of the launch gave us an opportunity to widen our perspective about the importance of Business Process Management in any organization since all organizations take part in managing their processes.

ABPMP Qatar ASSOCIATION OF BUSINESS PROCESS MANAGEMENT PROFESSIONALS

Moore Stephens Qatar joins the Qatar National Sport Day 2013

Moore Stephens Qatar staff members recently joined the Qatar National Sports day by participating in a wide range of pre-organized activities at KATARA Cultural Village. The activities ranged from volleyball competition where MS Qatar Team came in first place, wall climbing, table tennis, basketball, etc.

The objective of this event is to elevate the awareness of the community regarding the significance of a healthy lifestyle amongst its members. It promotes both mental and physical health because getting involved in sports is one way of having a sound mind in a sound body.

Taking part of this event was beneficial not only to the person involved but also to the organization and the community due to the teamwork and interactions that took place. These are known to deal with social anxiety and interpersonal disorders because it involves team members to communicate and work together as one.

اليوم الرياضي للدولة
National Sport Day

Qatar Commercial Company Law

News and Updates from the Ministry of Business And Trade on The Qatar Commercial Company Law refers to the establishment, structure and governance of private businesses in Qatar. From a news article of Gulf times dated January 14, 2013, it was stated that the Ministry of Business and Trade has completed a new draft company law as confirmed by HE the Minister of Business and Trade Sheikh Jassim bin Abdulaziz bin Jassim bin Hamad Al-Thani.

The Minister said the draft law will meet the requirements of the political, economic and social changes in accordance with Qatar National Vision 2030 and will keep pace with modern developments in businesses. The new draft law comes in the context of the Ministry's keenness to modernize the existing legislation in order to simplify and facilitate the procedures of establishing commercial companies. He also stated that the new draft law took into consideration the international standards on which countries are classified in terms of ease of starting and doing business. This new draft law will contribute to raising the ranking of Qatar and will attract foreign investment.

Executive regulations to the Oman income tax law

Introduction
The New Income Tax Law issued under Royal Decree number 28/2009 had provided for the issue of Executive Regulations (ER) by the Minister Responsible for Financial Affairs. The ERs were issued on 28 January 2012.

Effective date
While the provisions relating to payments and collections of tax are applicable from 28 January 2012, the provisions relating to deductions of expenses, filing of returns and exemptions apply to tax years ending after 1 January 2012.

The ER cover:
1. Procedural issues
2. Exemptions
3. Allowable expenses
4. Others

1 Procedural issues
New forms
New Income Tax Forms for filing returns, applying for exemptions etc. are to be used, which are categorized according to the tax payer, and require disclosure of detailed information.

Tax payment in installments
Tax payers facing financial crisis may pay in installments subject to approval and providing a payment guarantee for the outstanding liability.

2 Exemptions
Exemption from payment of penal tax
Exemption from payment of additional (penal) tax will be considered if available funds are inadequate and have arisen on:
- death of the tax payer;
- dissolution or liquidation or bankruptcy of the tax payer;
- court decision; or
- emergency or unpredictable conditions.

Exemption from filing of returns
Entities that meet the following conditions (during the current period and the previous two accounting period) are exempt from filing, once approval is granted. The conditions are as follows:
- the registered capital should not exceed RO 20,000;
- the gross income should not exceed RO 100,000; and
- the average number of employees (including temporary workers, irrespective of the duration of work or location) employed during the tax year should not exceed eight.

Exemption from submitting audited financial statements
Entities that meet the following conditions are exempt from submitting audited financial statements once approval is granted. The conditions are as follows:
- the registered capital should not exceed RO 50,000;
- the gross income should not exceed RO 300,000; and
- the average number of employees (including temporary workers, irrespective of the duration of work or location) employed during the tax year should not exceed ten.

Exemptions from income tax
Entities that engage in activities which are eligible for tax exemption would additionally be required to meet the following general conditions:
- the entity should be registered and have its headquarters in Oman;
- it should be licensed to carry out the exempt activity;
- it should maintain proper books of accounts audited by a licensed auditor; and
- it should not have availed the exemption stipulated in Article 8 of the Law of Foreign Capital Investment or in any other law.

Furthermore, in relation to the exemption:
- it will be applicable only if the main activity contributes 90% or more of the total gross income;
- multiple exemptions cannot be claimed; and
- the Company will also be required to file annual returns.

Renewal of exemption for a further 5 years will be considered if:
- the entity continues to meet the general conditions applicable for the initial exemption;
- the cumulative net profits earned at the end of the exemption period shall not exceed 50% of the initial paid up capital;
- the minimum value of investments in fixed assets is RO 1,500,000;
- the premises where the activities are carried on shall be outside Muscat Municipality;
- the entity shall, during the last two years of the exemption period, have achieved a 10% increase in Omanization rate beyond those prescribed by the Ministry of Manpower; and
- products manufactured shall be included in the list of strategic commodities issued by the Ministry of Commerce and Industry.

3 Allowable expenses

Expenses will be eligible for deduction if the general and specific rules specified by the ER are complied with.

General rules

- Expense should be at actual and incurred and relevant to the business.
- Expense shall be necessary for the purpose of generating the taxable income.
- Expense shall be recorded in the accounting records and supported by documentary evidence.
- Expenses should not be specifically disallowable under the Income Tax Law.
- The SGT can decide on the amount of expenses to be deducted with respect to related party transactions.

Specific rules

Specific rules have been defined for certain expense categories. The conditions to be satisfied for each expense category defined below are as follows:

Bad debts (other than from a related party)
- It arises as a result of a transactions necessary for generating taxable income.
- The bad debt is entered in the accounting records.
- For amounts exceeding RO 1,500, specified collection procedures (including legal proceedings) have been followed.

Any bad debt arising based on waiver, reduction or final settlement, will be allowed as a deduction, provided sufficient supports are submitted.

Donations
Donations made to the following entities/purposes are allowed:
- Ministries, Government institutions, Municipalities, Public Organizations or other units of state administrative apparatus for specified purposes;
- non-governmental charitable organizations mentioned under Royal Decree number 14/2005; and
- private institutions engaged in the field of sports mentioned under Royal Decree number 81/2007.

The deduction for donations shall not exceed 5% of the gross income.

Interest on loans from related parties
- Interest on loans from related parties should be utilized for the purpose of the business activity.
- Interest on loan from banks which are availed in the name of the Proprietor or Member are allowed if the loan is utilized for the purpose of the business activity.
- Interest on loans for Companies from related parties are restricted (in full or partially) should the debt to equity ratio exceed 2:1.

Interest on loans from Head Office
- The Head Office (HO) should have obtained the loan from a third party.
- The loan should be utilized for carrying on its business activities.
- The lender should not be related to the HO.

Remuneration paid to Chairman and Directors (of public listed companies)
Directors' remuneration and meeting attendance fees paid in accordance with article 101 of the Commercial Companies Law can be claimed in full.

Remuneration paid to Owners
- The person should be engaged in full time management of the Company.
- The person should not be employed elsewhere.
- In case of Companies not involved in the professional activities an amount of RO 1,000 per month can be claimed provided the aggregate amounts claimed do not exceed 10% of taxable income.
- In case of Companies involved in the professional activities an amount of RO 3,000 per month can be claimed provided the aggregate amounts claimed does not exceed 30% of taxable income.

Where a Person owns more than one entity, he or she should notify the SGT the name of any one entity of his choice at the time of filing the ARI.

Remuneration includes all amounts received by the Person – salaries, wages, increments, bonuses, allowances, fringe benefits, share in profits and benefits in kind including accommodation, utilities, transport, medical, etc.

Head office expenses
Expenses specifically incurred by a Head Office (HO) can be claimed in full as a deduction provided:
• the expenses are required and wholly incurred for the generation of taxable income; and
• these expenses should be recorded and supported by documentary evidence.

In respect of general expenses incurred by HO, the deduction claimed shall not exceed 3% of the gross income of the Branch. This percentage is increased to 5% in case of banks and insurance companies and 10% for major industrial companies that use sophisticated means of production or adopt scientific research methods or offer technical assistance, use patents or require technical expertise.

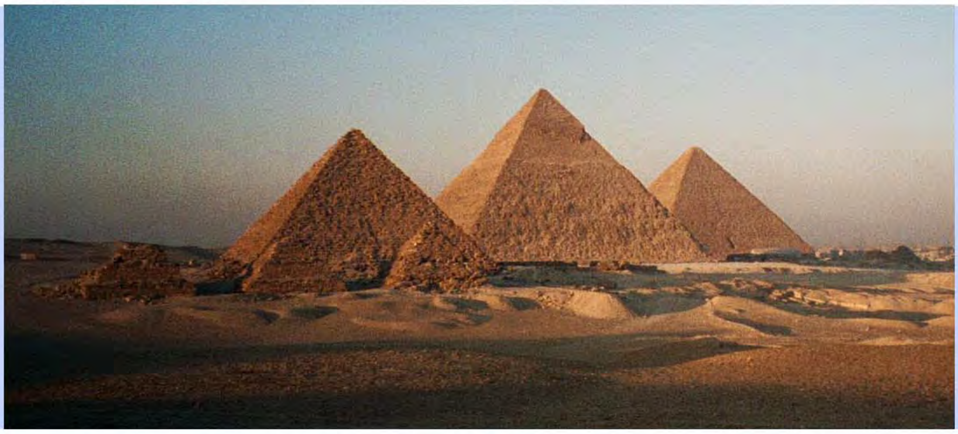
The provisions shall not apply to entities engaged in petroleum exploration activities.

Finance leases
The rules relating to finance leases are:
• the lessor-lessee relationship is similar to a lender-borrower relationship;
• only the lessee would be allowed to claim depreciation of the asset;
• interest received would be taxable in the hands of the lessor; and
• termination of the lease without the lessee acquiring the asset is treated as a disposal of the asset.

Other expenses
Under prescribed rules and on submission of supporting documentation, the following expenses will be allowed:
• contributions to pension funds, provident funds established in or outside Oman;
• sponsorship fees (not to exceed 5% of taxable profit after brought forward tax losses);
• commissions to insurance agents (not to exceed 25% of net premiums); and
• rentals.

4 Others

Tax payers' records and other details can be inspected relating to a period of ten prior years at the tax payer's premises during normal working hours by providing minimum ten days prior notice.



EGYPT

November 2012 - Decree No. 579 - amending Article 76 of the Executive Regulations

In November 2012 the Minister of Finance issued Decree No. 579 for the year 2012, amending Article 76 of the Executive Regulations to the Income Tax Law issued by the Minister of Finance No. 991 for the year 2005, relating to withholding tax (WHT) applied to payments of amounts specified in Article No.56 of the Income Tax Law, which include interest, royalties and technical assistance, made to non-resident entities.
Under the new amendment, revenue provided for in Article 56 of the income Law to deduct tax in accordance with the price set to rule referred to, and submit it to the Department of tax deducted at source together with "Form 11."
The decree clarifies the procedure to benefit from any reduced tax rates for royalties and interest provided by double taxation agreements.
The non-resident recipient entity or its legal representative shall submit an application to the Egypt Tax Authority, within six months from the date of receiving the revenue, requesting for application of the rate provided in the tax treaty agreement, and to claim a refund of the tax difference, by completing the prescribed Form No. 1-Withholding tax refund. The tax authority shall respond within 90 days from the date of receiving the application, in case no reply is received within the 90-day period, the recipient has the right to submit an application to the authority to apply Tax treaty agreement procedures.

PAKISTAN

GST / SALES TAX NEWS

All Companies & Exporters Liable To Withhold Sales Tax

The Federal Government has introduced significant changes in the Sales Tax Special Procedures (Withholding) Rules 2007 (WHT Rules) vide SRO 98(I)/2013 issued on 14 February 2013. These amendments are as follows:-

- According to the amended WHT Rules, the withholding of 1% sales tax has been done away with. Accordingly, companies and exporters have been declared as sales tax withholding agents besides federal / provincial government departments, autonomous bodies and public sector organizations, who would be required to deduct withholding tax @ 1/5th of the applicable rate of sales tax on all goods purchases w.e.f. 14 February 2013.
- The definition of 'company' has been derived from Income Tax Ordinance 2001 whereby 'company' means a company as defined in the Companies Ordinance, 1984;
- Likewise, all exporters, whether operating as Individuals or Association of Persons (AOPs) have also been categorized as withholding tax agents for sales tax purposes.

Revamped Sales Tax Regime for 5 Sectors

The Federal Board of Revenue (FBR) has amended the tax regime vide SRO 154(I)/2013 to revamp the zero rating scheme pertaining to the five zero rated sectors namely textiles, carpets, leather, sporting goods and surgical goods.

The salient and distinguished features of aforesaid SRO 154 are that in the case of domestic sales, zero rating has been done away with and reduced tax rate of 2% has been introduced for persons engaged in business of five zero rated sectors, subject to certain conditions.

Sales Tax Relief on Expired Food

The FBR, while accepting the representation by "Shekha & Mufti, Chartered Accountants" on behalf of National Foods Limited, has issued a General Order 70 / 2012 on 28 December 2012 which reads as follows:

"The Board has been approached by National Foods Limited through "Shekha & Mufti, Chartered Accountants" with the request that food industry largely deals with perishable items having an expiry term of 2-3 years from the date of manufacturing resulting in return of goods around the date of expiry due to item becoming unfit for consumption. The companies have to accept the rejected stock as a business practice and refund price of such goods including Sales Tax. However they face hardship because they are not able to make corresponding adjustment in Sales Tax Returns in view of stipulation of section of the Sales Tax Act, 1990 read with Rule 22 of Sales Tax Rules, 2006 which provide for issuance of credit or debit notes within one hundred eighthly days of the relevant supply. This period is further extendable by 180 days by the Commissioner. However, even this period has been contested to be not sufficient in case of food items.

With a view to mitigating the hardship faced by such companies, the Board, in exercise of powers conferred under section 74 of the Sales Tax Act, 1990, is pleased to allow that in case of companies manufacturing perishable food items having an expiry date, if such items are returned on account of becoming unfit for consumption and are then destroyed in accordance within procedure and conditions stipulated in Rule 23 of Sales Tax Rules, 2006, the corresponding Credit Notes may be issued within the tax period in which goods are so destroyed."

EXCISE DUTY NEWS

Modified Excise Regime for Sugar

- Federal Government has issued a SRO 77(I)/2013 dated 7 February 2013 whereby The White Crystalline Sugar falling under PCT 1701.9910 and 1701.9920 of the Customs Act 1969 shall attract excise duty @ 0.5%, subject to fulfillment of following conditions:
- The reduced rate of duty @ 0.5% shall be applicable on the quantity of local supply of sugar equivalent to the quantity exported by the sugar manufacturer.
- The aforesaid export should be in accordance with the quota allotted by Economic Coordination Committee (ECC) of the Government of Pakistan in its meeting dated 10 January 2013.
- Sugar manufacturer should file the prescribed calculation before the Commissioner of Inland Revenue, FBR alongwith necessary evidences of quantity exported by him.
- The benefit of reduced rate of duty on local sale may be availed in the next month following the month in which the sugar manufacturer actually exported the sugar.
- Benefit of reduced rate of duty will not be applicable to exports made to Afghanistan and Central Asian Republic through land routes.

SINDH SALES TAX NEWS

Payments of Goods / Services Via Banking Channel

The Sindh Revenue Board (SRB) vide Notification 3-4/2/2013 dated 11 February 2013 has made it mandatory for SRB taxpayers to settle all their bills for purchases of goods or services within 180 days of the date of invoices via banking channels for claiming input tax adjustments against output sales tax payable by them. However, the following types of payments may be made via cash:

- Payments of bills / invoices of utilities (e.g., electricity, gas, telephones and other telecom services)
- Courier services
- Directly imported goods used as inputs by the service provider

Cross Browser Compatibility of Taxpayers' Facilitation Portal

The Sindh Revenue Board (SRB) vide Circular No. 1 of 2013 has introduced Cross browser compatibility of taxpayers' facilitation portal e.srb.gos.pk for its taxpayers. The portal is now running on popular browsers like Microsoft Internet Explorer, Google Chrome, Mozilla Firefox and Andriods Browsers for cell phones, Tablets and hand held devices, as well

PUNJAB SALES TAX NEWS

Punjab Sales Tax on Advertisements Services

The Government of the Punjab had issued SRO SO(TAX)I-9/2011 dated 6 October 2012 whereby sales tax was imposed on certain advertisements services.

New Services Taxed under Punjab Sales Tax Law

- Advertisements on closed circuit TV
- Advertisements on websites
- Advertisements on internet

Services Exempted under Punjab Sales Tax Law

- Advertisements on newspapers and periodicals

Lebanon

DECREE NO. 7471
Determining the principles to receive the taxes and fees undertaken by the Department of Public Finance from the taxpayers outside the framework of the funds of the Ministry of Finance

It is decreed the following:

Article One: This decree details the application of the principles of the taxes and fees from taxpayers outside the framework of the funds of the Ministry of Finance.

The following terms, wherever appeared in this decree, shall have the following meanings:

- "Tax" any direct or indirect tax, collaterals, and fees.
- "Taxpayer" every natural or moral person bound by tax obligations by virtue of tax laws.
- "Authority collecting taxes and fees for the interest of the treasury" each of the trading banks working in Lebanon or LIBAN POST or any other company concluding contract with the Ministry of Finance for this purpose.

Article Two: Mechanism of Work:

First: Collection of due amounts by virtue of the personal tax payment:

a- Income tax:

1. The taxpayer prepares the notice of payment adopted by the tax department (sample of three white, pink and yellow copies), after he calculates the tax according to the means of personal tax-payment. This notice shall include the submission of declaration, name, number and address of taxpayer, region of tax-payment, tax duration, date of end of the duration of declaration, signature of the taxpayer and information related to taxes, fines and fees due for payment.

2. The taxpayer pays the value of notice at the authority which collects taxes and fees for the interest of the treasury.

3. Upon the completion of the payment process, all copies of the notice adopted by the tax department shall be signed and sealed by the authority which collects taxes and fees for the interest of the Lebanese treasury. The taxpayer shall receive only from the authority collecting fees and taxes for the interest of the treasury a receipt in the paid value as confirmation to payment; this receipt is attached to the copy of the taxpayer (yellow copy) and all other copies shall remain at the authority to deliver them to the Ministry of Finance.

b- Tax of Constructed Properties

1- The taxpayer prepares the notice of payment adopted by the tax department (sample of three white, pink and yellow copies), after he calculates the tax according to the means of personal tax-payment. This notice shall include the name, number and address of taxpayer, region of tax-payment, real estate number, tax duration, date of end of the duration of declaration, signature of the taxpayer, information related to taxes, fines and fees due for payment and the signature of the taxpayer.

2- The taxpayer pays the value of notice at the authority which collects taxes and fees for the interest of the treasury.

3- Upon the completion of the payment process, all copies of the notice adopted by the tax department shall be signed and sealed by the authority which collects taxes and fees for the interest of the Lebanese treasury. The taxpayer receives only from the authority collecting fees and taxes for the interest of the treasury a receipt in the paid value as confirmation to payment; this receipt is attached to the copy of the taxpayer (yellow copy) and all other copies shall remain at the authority to deliver them to the Ministry of Finance.

c- Value Added Tax:

1- The taxpayer prepares the notice of payment of the value added tax adopted by the tax department (sample page 4 made of three white, pink and yellow copies), after he calculates the tax according to the means of personal tax-payment. This notice shall include the name, number and address of taxpayer, tax duration, date of end of the duration of payment, signature of the taxpayer and information related to taxes, fines and fees due for payment.

2- The taxpayer pays the value of notice at the authority collecting taxes and fees for the interest of the treasury.

3- Upon the completion of the payment process, all copies of the notice adopted by the tax department shall be signed and sealed by the authority which collects taxes and fees for the interest of the Lebanese treasury. The taxpayer receives only from the authority collecting fees and taxes for the interest of the treasury a receipt in the paid value as confirmation to payment; this receipt is attached to the copy of the taxpayer (yellow copy) and all other copies shall remain at the authority to deliver them to the Ministry of Finance.

Second – Collection of additional costs to taxes and fees by virtue of a cash order or receipt of collection:

a- All taxes and fees excluding the value added tax:

1- After he obtains the cash order or receipt of collection from the competent unit or any company concluding a contract with the Ministry of Finance for this purpose, the taxpayer shall refer to the authority which collects the taxes and fees for the interest if the treasury to pay the amount mentioned in the receipt.

2- Upon the completion of the payment processes, all copies of the receipt adopted by the competent department shall be signed and sealed by the authority which collects the taxes and fees for the interest of the treasury. The copy of the department of treasury shall remain at the authority which collects taxes and fees for the interest of the treasury to deliver it to the Ministry of Finance. The taxpayer receives a receipt in the paid value as confirmation to payment. This receipt is attached with the other copies he shall send with the receipt in the paid value to the competent unit at the Ministry of Finance, either personally or by mail after he keeps his copy.

With respect to the taxes and fees related to the formalities required to be completed at the competent departments:

The taxpayer shall refer to the department which has issued the cash order or receipt of collection and deliver to it the copies received by the authority which collects the taxes and fees for the interest of the treasury in order to follow his formality.

The department examines the veracity of the cash formality, namely that payment has been made within the duration legally imposed. It shall prevent every lack and impose when required the legal fine in case of payment outside the legal duration.

b- Value Added Tax:

1- After the competent unit notified him of the cash order and a special notice in paying the value added tax attached to the sample adopted by the tax department (sample page 5 made of three white, pink and yellow papers), the taxpayer shall refer to the authority which received taxes and fees for the interest of the treasury to pay the due amount. The notice shall include the name, number and address of the taxpayer, tax duration, signature of the taxpayer and information related to taxes, fines and fees due for payment.

2- Upon the completion of the payment process, copies of the notice adopted by the tax department shall be signed and sealed by the authority collecting the taxes and fees for the interest of the treasury. The taxpayer takes a receipt in the paid value as confirmation for payment; it is attached to the yellow copy allocated for it. The other copies shall remain at the authority to deliver them to the Ministry of Finance.

To the attention of the President of the Association of the Licensed Accounting Experts in Lebanon

Within the framework of facilitating the activities of taxpayers as to be informed of the due taxes, the Ministry of finance is pleased to inform you that as from September 01.2012, all the taxpayers desiring to benefit of the services of being informed of the tax costs by internet, can initiate with registration at the Central Department of Tax Payers Services and information, by filing an application by internet at http://eservices.finance.gov.lb.As a result of request, the tax payer shall obtain the user name and password; thus, he will be able to know all due taxes, including the tax of constructed properties, value added tax (VAT) and income tax, in addition to all declarations filed to the Ministry of Finance.
As a second step, at the beginning of the year 2013, within the E-services that the Ministry of Finance will provide to citizens, the e-payment services will be launched by bank transfer and payment through means of credit cards to reduce the costs and fees of taxpayers and to facilitate their works.
We ask you to inform those affiliated to the association about the matter to benefit of such services as soon as possible.

Respectfully
The Minister of Finance
Mohamad El Safadi

Jordan Tax Summary

Corporate Income Tax

Corporate Tax Rates

The general standard rate of corporate income tax rate is (14%) applied to all companies, except for insurance companies, exchange companies and financial intermediation, and communications, which are subject to (24%) while the banks are subject to (30%) with an effective date starting from the fiscal year 2010.

Corporate Tax Year

The rate of corporate tax is fixed in respect of the corporate tax year or the financial year.
The company has the right to choose the date of year-end to issue its annual financial statements, regardless of the calendar year.
Each year has to be accounted for separately. The first year is to start from the date of incorporation to the end of the following financial year (long period).

Deductible Expenses

The general rule is that expenses or deductions must be acceptable from a tax point of view so as to be deducted from the taxable income.
All costs and expenses must be supported by proper documents.

Accounting Methods & Business Profits

A company's taxable income is based on its accounting profits, computed according to the International Financial Reporting Standards (IFRS).

Dividends

There is no withholding tax on the payment of dividends, whether the recipient is resident or non-residents.

Carry Forward Losses

Losses incurred may be carried forward to be deducted from the taxable income in later years but it may not be carried back.

Payment to Non-Residents

The amounts paid to foreign entities against services rendered, are subject to withholding tax at a rate of 7%, even if it is paid to an entity that is resident of a country that has a double taxation treaty with Jordan.
It is the overseas recipient's responsibility to apply to the Jordanian Tax Authority for refunding the bal-ance between the 7% withheld taxes and the rates on royalties and interest, as per the treaty, should that exists.

Filing Requirements Hints & Tips!

The corporate tax return must be filled along with all supporting documents (e.g. Audited financial statements). All documents should be filled within four months from the accounting year end, e.g. 30 April, for 31st December

Individual Income Tax

The salary tax is the liability of the employee not the em-ployer. However, the employer is responsible to withhold and remit the salary tax on behalf of the employee on a monthly basis. Salary tax is applicable to the following:
- All earnings due to the employee resulting from his/her work with third parties with or without a con-tract, periodically or non-periodically, whatever the names, forms, or reasons of those earnings, and whether they are for work performed in Jordan or abroad and paid by a source in Jordan, including wag-es, bonuses, remunerations, incentives, commissions, overtimes, allowances, appropriations, as well as the monetary privileges and allowance in kind of all types.
- Earnings due to the employee from a foreign source for works performed in Jordan.
- Salaries and remunerations of chairman, members and directors of the Boards of Directors in the associ-ations of capital in return for their administrative work.

Rates of Salary Tax

The Taxable employee's income is subject to progressive rates as follows:

First JOD 12,000	7%
More than JOD 12,000	14%

Filing Requirements Hints & Tips

Taxes are to be withheld monthly and paid to the Tax Authority by the 30th day after the date of deduction or vesting date (withholding).

Tax Exemptions

- JD12,000 as personal exemptions.
- Another JD 12,000 for dependents regardless of their number, which means a total of JD 24,000 is allowed per family regardless whether the tax returns were submitted separately or jointly for couples.
- The above exemptions are only awarded to residents (persons & dependents).
- Donations to government.

Tax on Payments to Non-Residents

Amounts paid to non-residents (staying in Jordan less than 183 days in any 12 months) from any source, are subject to 7% taxes, without any deductions.

Filing Requirements Hints & Tips!

□ The company has to pay social security (employee portion & employer por-tion) to the Social Security Corporation within 15 days of the following month.

□ Annual social insurance form (which includes all employees) has to be sub-mitted in January of each year.

Social Security

In general, Any non-monthly salary or pay is subject to social security contributions except for few categories from which we list a few examples:

□ Children's education allowance
□ Uniform allowance (cash or in-kind)
□ Laundry allowance
□ Entertainment allowance
□ Paid vacations allowance
□ Others

Social Insurance Rate

Social Contributions	Rate %
Employer	12.25
Employee	6.5

As of 1/1/2009 any salary exceeding JD 5,000 and Social Security has already been calculated for it.
This salary will remain to be the basis of calculation onwards even if the salary was increased.

General Sales Tax

Rates of corporate Tax

□ Sales tax rates range from 0% to 16% and special Sales tax fixed amounts is imposed per units depending on the nature of the product or service.

□ Sales tax rate of 16 % is imposed on importation of goods & services.

□ Certain products and services are tax exempted and other products and services are sub-ject to zero rate.
The Zero rates are mainly divided into two types:-

□ Any goods and services which are exported outside Jordan or which are supplied to free zones cities and duty free shops.

□ Any goods and services sold to any parties that are exempt by law and for any parties that are subject to zero rates by sales tax law.

Filing Requirements Hints & Tips!

General Sales Tax (GST) return must be submitted to Tax Authority every two months. The two months period shall be treated as a single tax period.

Sales Tax must be forward-ed to the Tax Authority within thirty days following the end of the tax period.

For example,
(All transactions of January & February should be filled in the tax return maximum by the end of March in which the balance of sales tax should be settled if it is payable and carried forward if the input Vat exceeds the output).

Invoices Details

The following are the details that must be included on customer invoices:

□ Invoice serial numbers starting from one.

□ Invoice date.

□ Customer name.

□ The company address in Jordan.

□ Sales tax registration number.
□ Kind of the expense or product.

Basis of Taxation

The earlier of the following shall be considered as the tax point, and the company has to settle the sales tax accordingly:

□ The date of issuing the invoices.

□ The date of delivery of commodity or rendering the services.

□ The date of payment of the commodity value or the return of services, whether being wholly or partially, or an amount paid on account or settlement of account, or on credit, or any other means of payment.
(

Stamp Duties

Stamp duties are generally imposed on the following:

□ Documents: a wide range of documents including certificates and declarations, judicial documents,

□ Advertisements, licenses, utility bills.

□ Contracts: all types of contracts.

□ Transactions: wide range of transactions such as bank-ing transaction (i.e. loans, deposits, accounts and documents), insurance premiums, transportation.

□ Services, lotteries, company registrations, etc.

Stamp duties are applied in different rates according to the Stamp Duties Law. However, below are the important items:

Amount	Rate
Contract with amount	0.003 – 0.006
Contract without amount	10 JOD
Insurance premiums	0.1%
Immovable property	0.002
Facilities contracts (500 JD – 1000JD)	2 JOD
Facilities contracts (More than 1000JD)	3 JOD
Customs Declaration	10 JOD

Stamp Duties Exempted

The following categories are exempted from stamp duties. We list a few exam-ples:

□ Loans contracts for farmers.

□ Compensations con-tracts according to labor law.
□ Banks remittances trans-actions.

WITHHOLDING TAX

Tax Withholding Basis

The Law requires resident cor-porate taxpayers to withhold 5% tax upon paying service fees to a resident on account except for few categories from which we list a few examples:

□ Banking services.

□ Insurance services.

□ Telecommunication services provided by primary telecom-munication companies.

□ Air transport services.

□ Shipping services and broker-age services relating to the commission.

□ Hotels and restaurants Ser-vices.

□ Hospital services provided by hospitals.

□ Advertising services.

□ Services that are performed by a company - non-civil companies - have a tax num-ber (income and sales).

Rates of Withholding Tax

Transaction	Rate
Services **	5%
Individual Professional Fees **	5%
Rental Allowance **	5%
Interests & Profit of Deposits **	5%
Prizes (More than 1,000 JD)	10%
Import of Goods **	2%

*** These withheld amounts shall be considered tax advance payment for the residents (Company) which can be reduced from the due tax at the end of the tax period.*

Filing Requirements

Tax must be forwarded to the Tax Authority within thirty days from payment or maturity date, whichever is ear-lier. Otherwise, the tax shall be collected as tax due on taxpayer from the date it should be remitted.

Need to know how well your organization is achieving its strategic objectives? We got that covered!

It is with our greatest pleasure to inform you that one of our consulting team has become among the few 130+ Organizational Project Management Maturity (OPM3) consultants and professionals worldwide.

Having a certified OPM3 assessor and consultant on board allows us to provide distinguished and remarkable services to our clients who are struggling to implement their organizational strategies and fighting hard to save money in these challenging economies.

OPM3 is a maturity model that can tell how efficiently and effectively an organization can transform its strategy into results using project management. This model assures that organizations select the right projects to invest in and makes sure that the organizations have the right caliber, tools, and foundations to implement those projects in the right way as a way of safeguarding those investments.

It has been reported across different channels that organizations who conducted improvement programs based on OPM3 model have benefited a lot. They have enjoyed the benefits of identifying the right projects and programs to deliver their strategies, improving the overall return on investment, sustaining business success, and mitigating operating costs.

According to the recent PMI Pulse Report, March 2013, "Failed projects waste an organization's money: for every US$1 billion spent on a failed project, US$135 million is lost forever… unrecoverable". Moreover, the report has referred to the results of the third global survey on the current state of project management conducted by PricewaterhouseCoopers LLC (PwC) in 2012. This study has revealed that "as many as 97% of respondents believe that project management is critical to business performance and organizational success, and 94% believe that project management enables business growth."

With this new addition of such unique knowledge and abilities to our caliber in the network, we announce our extended and continuous support to provide tailored Consulting services to your clients in the domains of OPM3 Assessment and Consulting, Corporate Strategy Consulting, and Project Management Consulting Services.

MSME Partners meeting - Dubai - 2013

The Middle East partners at Moore Stephens Middle East held a meeting on the 13th of January 2013 in Dubai where strategic matters related to the Middle East offices were discussed.

Foreign Investments in KSA

The Fields of Investment

Foreign Investments licensed under the provisions of The Act and The Rules may be in either of the following forms:
1- Entities jointly owned by a national and a foreign investor.
2- Entities wholly owned by a foreign investor.

Benefits, Incentives and Guarantees

Foreign Investment projects shall enjoy all the benefits, incentives and guarantees extended to national projects, including the following :
1. The incentives stipulated in the Protection and Promotion of National Industries Act issued by Royal Decree No. 50 dated 23.12.1381.
2. Ownership of real estate required to carry out the investor's licensed activity or for his residence and his staff housing according to the provisions of the Regulation of Ownership and Investment in Real Estate by Non–Saudis issued by Royal Decree No. M/15 dated 17.04.1421
3. The benefits ensuing from agreements of avoiding double taxation and agreements of promotion and protection of Investment which are signed by the Kingdom.
4. Prohibition of any full or partial confiscation of investment without a court order or subjecting them to expropriation wholly or partly except for the public interest and against fair compensation.
5. Foreign investors are entitled to repatriate their share that is derived from the sale of his equity, from surplus of liquidation or the profits generated by the entity and to dispose of it by any legal obligations. He is also entitled to transfer required amounts to fulfill any contractual obligations in respect of the project .
6. Shares can be freely exchanged amongst partners and others.
7. The licensed entity is entitled to sponsor the foreign investor and his non–Saudi staff.
8. The licensed entity is entitled to obtain industrial loans in accordance with the regulations of The Saudi Industrial Development Fund.
9. The losses incurred by the entity may me carried forward to the following years and will not be calculated at tax settlement of the years during which the entity reaps profits.

Licensing Conditions and Criteria

The conditions for granting a Foreign Investment license by The Authority shall include the following:

1. The investment activity to be licensed should not be in the List of Excluded activities from Foreign Investment.

2. The intended Product should comply with the Kingdom's rules and regulations, or the laws of the European Union or the United States of America in the absence of those laws, in terms of standards and specifications, raw materials and production processes.

3. The license applicant should be a natural or nominal person who has come to the Kingdom for investment.

4. The Foreign Investor should not have been convicted in the past for substantial violations of the provisions of The Act.

5. The Foreign Investor should not have been convicted in the past of financial or commercial violations whether in the Kingdom or in other countries.

6. The grant of a license shall not result in the breach of any international or regional agreement to which the Kingdom is a party.
The Foreign Investor may obtain more than one license to practice the same activity or a different activity(s) subject to the following conditions :

1. The conditions set forth under Article (6) of The Rules must be satisfied.
2. Licensing applications to practice the same activity submitted by natural or moral persons shall be considered as expansion of established projects applications.
3. The Board of Directors will reconsider these conditions periodically or when deemed necessary.
The Foreign Investor may purchase local or foreign investment entities or shares thereof subject to the Licensing Conditions and Criteria.

Licensing Procedures

The Authority shall prepare an investment guide containing a description of the procedures for obtaining both permanent and temporary licenses and their modifications, as well as the forms, required documents to obtain the licenses and any information needed by the investor. The guide shall also list the incentives, benefits and guarantees to be enjoyed by The Foreign Investor. In addition, the guide must contain substantial information about the following :
1. Foreign Investment Act, its rules and supplementary decisions.
2. The Statute of the General Investment Authority and the Executive Rules of the General Investment Authority
3. The Regulation of Ownership and Investment in Real Estate by Non-Saudis
4. Protection and Promotion of National Industries Act.
5. Labor and Workmen Act and Social Insurance Act.
6. Zakat, Tax and Customs Regulations.
7. Legal Sharia Procedures Act.
8. Penal Procedures Act.
9. Legal Profession Act.
10. Companies Regulations (Commercial Register, Trade Fraud, Banks Monitoring).
11. Intellectual Property Protection Regulations (Trade Marks Act, Copyrights Protection Act, Patents Act).
12. Residence Act.

Applications to obtain a foreign investment license shall be submitted to the Applications Reception Unit of The Center, using the designated form. The application must contain all the necessary information; satisfy all documentation requirements cited therein and be signed by the applicant or his duly authorized representative. The Center shall notify the license applicant by a written or electronic receipt note including the number of the application record and its date.

Important Zakat Decision relating to Loans:

The DZIT extended its practice by adding all credit balances that remained with the Company for 12 months to the Zakat base including the following:
* Due to related parties .
* Accounts payable.
* Accrued expenses.
* Advances from customers.

The Preliminary and Higher Appeal Committees have been constantly supporting the DZIT interpretation of the Fatwa. The decision of the Bureau of Grievance did not accept the DZIT interpretation of the Fatwa and concluded that only the owner of the money (the bank in most cases) should pay Zakat since Zakat should not be computed twice on the same funds during the same year.
This ruling should have a major effect on the preparation of the Zakat returns and the ongoing objections involving loans.

Zakat Planning1

Introduction of Capital
In order to minimize potential zakat exposure, it is important that the full share capital is not introduced (where possible) into a Saudi company, until it is able to be deployed within a year for investment purposes or acquiring of fixed assets.

Intention
The intention for which such investments are held and accounting classification in the financial statements, largely drive the zakat liability (cost versus equity methods).

Mode of Financing
The commercial decisions and options on whether to utilize debt versus equity in the investment strategy, including accounting treatment would largely drive the zakat implications.
Timing of Investments and Financial year end
Drawdown of Funds/Managing Cash Flows

Zakat Planning 2

Management and Administration charges between Saudi entities:
In order to minimize the income subject to Zakat between a Saudi Holding Company and Subsidiary, the Sub may contemplate entering into management services and administration service agreements between itself and the various entities in the group.
The charges would need to meet the general deductibility requirements and be treated as income/expenses respectively.
There would be no withholding tax implications on intra-Saudi payments.
Deductions for Zakat Purposes:
Accounting classification of investments/ real estate also drives the zakat treatment:
A Saudi Co may utilize the entity for purposes of investments in Saudi Arabia taking into consideration the following rules relating to deductibility of the investment cost for Zakat purposes.
In local or international companies: Local equity investments are deductible for Zakat purposes, if treated as long term investment, while investments in international companies are only deductible if requirements are met.
Investment in Equity Fund: Deductible if the Equity Fund is listed on the local Stock exchange and investment is held for long term.
Investment in Real Estate Fund: Deductible if the Real Estate Fund is listed on the local Stock exchange and the investment is held for long term.
Equity investments in listed companies: Listed local equity investments are deductible for Zakat purposes, if treated as long term investment.
Purchase of Corporate Sukuks/ Bonds etc.: Not deductible as per Ministerial Resolution 1005
Approach with regard to deductibility of Loan Receivables now under contention.

Investment Structuring into Saudi Arabia

What is optimal – PE, Branch, Limited Liability Company ?
PE, Branch or LLC
Tax law specifies circumstances where a PE arises in Saudi Arabia, also defined in terms of the numerous DTAs.
PE is only a tax entity, registered purely for tax purposes and has no legal rights which apply as is the case of a branch or PE.
Branch is considered as PE for Saudi tax purposes and accordingly subject to corporate tax in all cases, even if Head Office is a 100% GCC owned company.
Legal considerations such as time to establish, liability limited to share capital in case of LLC, two or more shareholders, 10% transfer to legal reserve and permitted activities (branch not permitted to undertake retail trade) and branch activity usually limited those of head office/ holding company.
Important deciding factor, Income is from a source in Saudi if it is "attributable to a permanent establishment of a nonresident located in the Kingdom, including income attributable to sales in the Kingdom of goods of the same or similar kind as those sold through such a permanent establishment, and income arising from the rendering of services or the performance of other activity in the Kingdom of the same or similar nature as activity performed via such a permanent establishment."

Tax Agreements

The Kingdom of Saudi Arabia is signed many agreements (Conventions) wih a group of countries for the avoidance of double taxation and the prevention of tax evasion with respect to taxes on income and on capital. And these agreements are :

1. Spain Agreement
2. China Agreement
3. Austria Agreement
4. India Agreement
5. Japan Agreement
6. Greece Agreement
7. Uzbekistan Agreement
8. Italy Agreement
9. Pakistan Agreement
10. United Kingdom and Ireland Agreement
11. Bangladesh Agreement
12. Belarus Agreement
13. Turkey Agreement
14. South Africa Agreement
15. Russia Agreement
16. Singapore Agreement
17. Syria Agreement
18. France Agreement
19. Vietnam Agreement
20. Korea Agreement
21. Malaysia Agreement
22. Holland Agreement

DFSA (Dubai Financial Services Authority) CALLS FOR TOUGHER PROCESSES

DFSA continues to call for regulated and licensed companies to improve quality and standards and in particular:

1. KNOW YOUR CUSTOMER (KYC) PROCESSES

There is a paradigm shift from the tick box approach to risk based approach. Previously KYC procedures were based on tick based approach. Now it is necessary to carry out the risk assessment based on the nature of business, the origin country of the transactions, the tracking of the ultimate source of funds, the transactions of partners' current accounts, origin country of the partners and other criteria. Then a risk profile is created to determine whether a normal due diligence or enhanced due diligence is necessary.

2. PIB MODULE (monthly and periodic financial performance returns)

There are changes made in the PIB module for ascertainment of capital adequacy. Previously the DFSA concentration was on the removal of illiquid assets from the capital resources for ascertaining the capital adequacy. Now the emphasis is on the quality of liquid assets.

The DFSA continues to develop and strengthen its' regulatory processes within the DIFC with emphasis on:

- aligning with other international and UAE regulations;
- improving its AML/CFT regime;
- improving and updating it's rulebook to meet a changing world financial environment;
- participating in supervisory colleges;
- improving the legal and audit frameworks that companies operate in

In line with the more strict rules of the DFSA, Moore Stephens Dubai has upgraded their AML/KYC manual through an outside consultant.