

Tenders in GCC & Tax Competitiveness

SdM

Canadian & International Tax



Agenda

- Overview of GCC countries
- Taxation in GCC
- Canadian tax system and competitiveness

Market Information

Country	GDP/Capita*	Population*	GDP World Rank*	Import of Goods & Services (% GDP)*	1 st Country of Import**
Saudi Arabia	\$25,140	30.89M	19 ^h	34.2%	EU
Kuwait	\$49,300	3.753M	56 th	31.3%	EU
Qatar	\$92,200	2.172M	50 th	30.5%	EU
U.A.E.	\$44,600	9.086M	30 th	77.9%	EU

* Source: World Bank Data Centre 2014

** WTO September 2015

Operation, Tax and Legal Data

Country	Ownership	Tax Registration	Commercial License Registration	Rank in Difficulty of Starting Business*	Tax Rate	True after Tax Cash Available	Tax Treaty with Canada	WHT Applicable
Saudi Arabia	100% Allowed	Relatively Easy	Relatively Difficult	82	20%	76%	No	5%/15%
Kuwait	Maximum 49%	Difficult	Difficult	101	15%	41.65%	Yes	No
Qatar	Maximum 49%	Difficult	Relatively Difficult	68	10%	44.10%	No	5%/7%
U.A.E.	Maximum 49%	Easy	Relatively Easy	31	0%	49%	Yes	No

* Source World Bank Data Centre



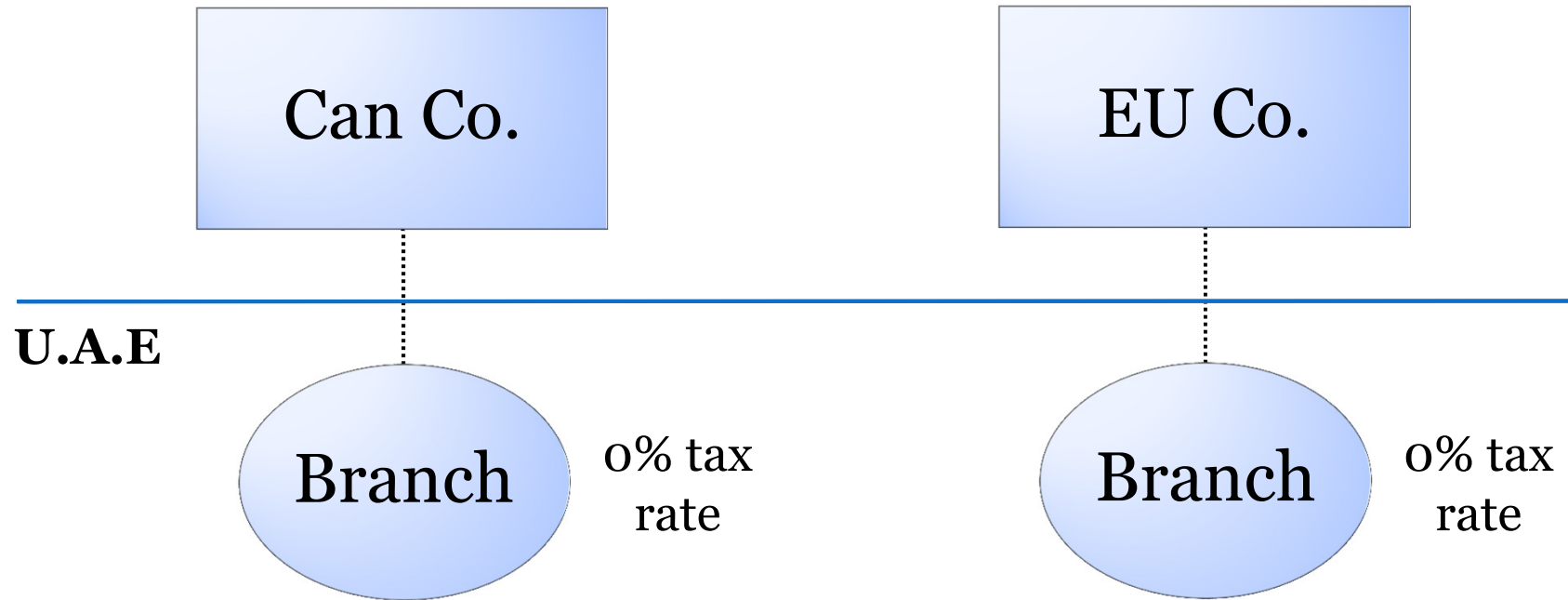
Developing the Strategy

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

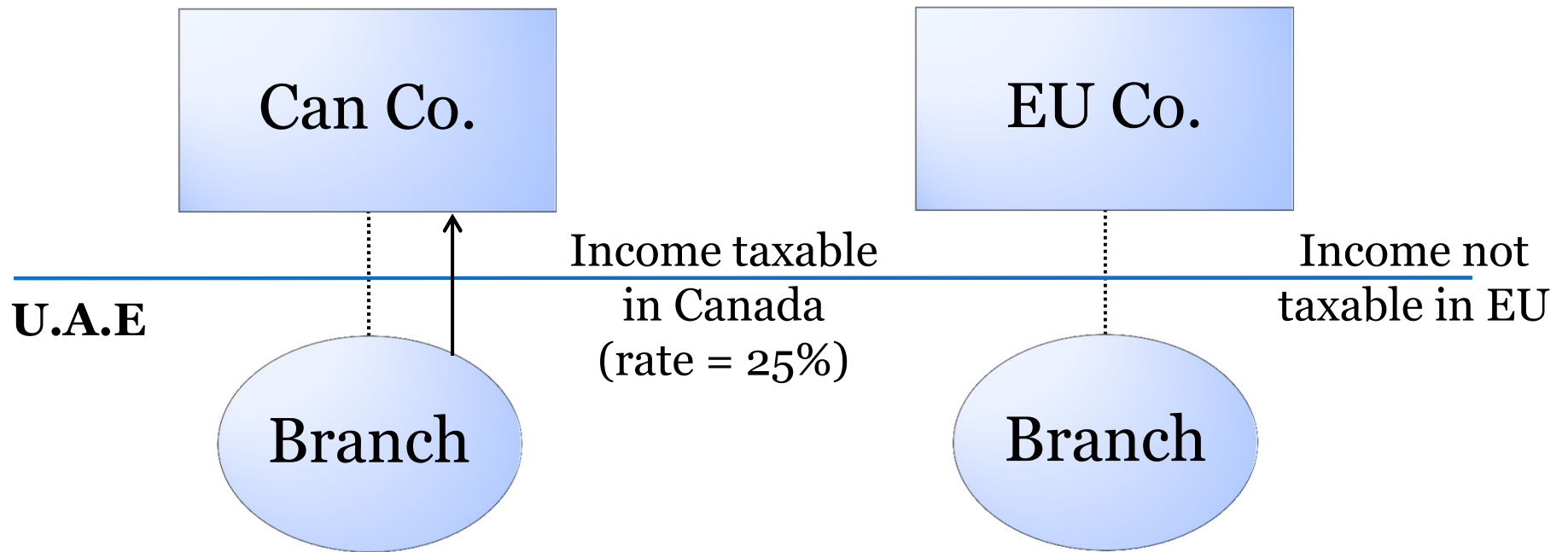
Tax as a Competitive Strategy

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 20%
- Not a significant tax differential
- Withholding tax up to 15% (on gross income) for offshore services
- Canadian unfavorable FTC regime



Existing Solutions

- Factors to consider
 - Current international presence
 - Future international plans
 - Which jurisdiction is targeted
 - Main competitors in the industry
 - Cost-benefit analysis
 - Use of Free-Trade Zones
 - Tax optimization pricing policies



In Conclusion

Due to challenges of:

- Pre-qualification
- Registration

Importance of entry with the right structure

Questions?

The logo for SdM Chartered Professional Accountants, featuring the letters 'SdM' in a bold, dark blue, sans-serif font.

Chartered Professional Accountants

Simon Davari, CPA, CA
Partner in charge

514-865-9902

simon.davari@sdmaccounting.com