

Tenders in GCC & Tax Competitiveness

SdM

Canadian & International Tax

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**

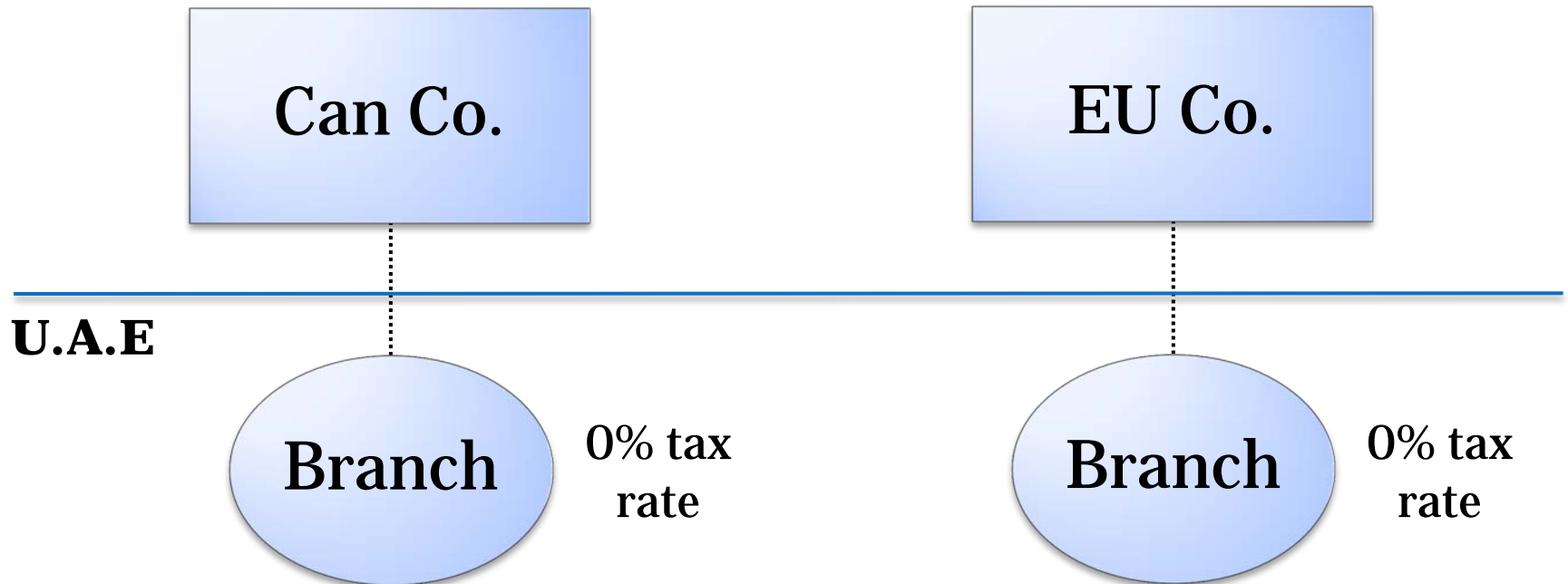
Developing the Strategy

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

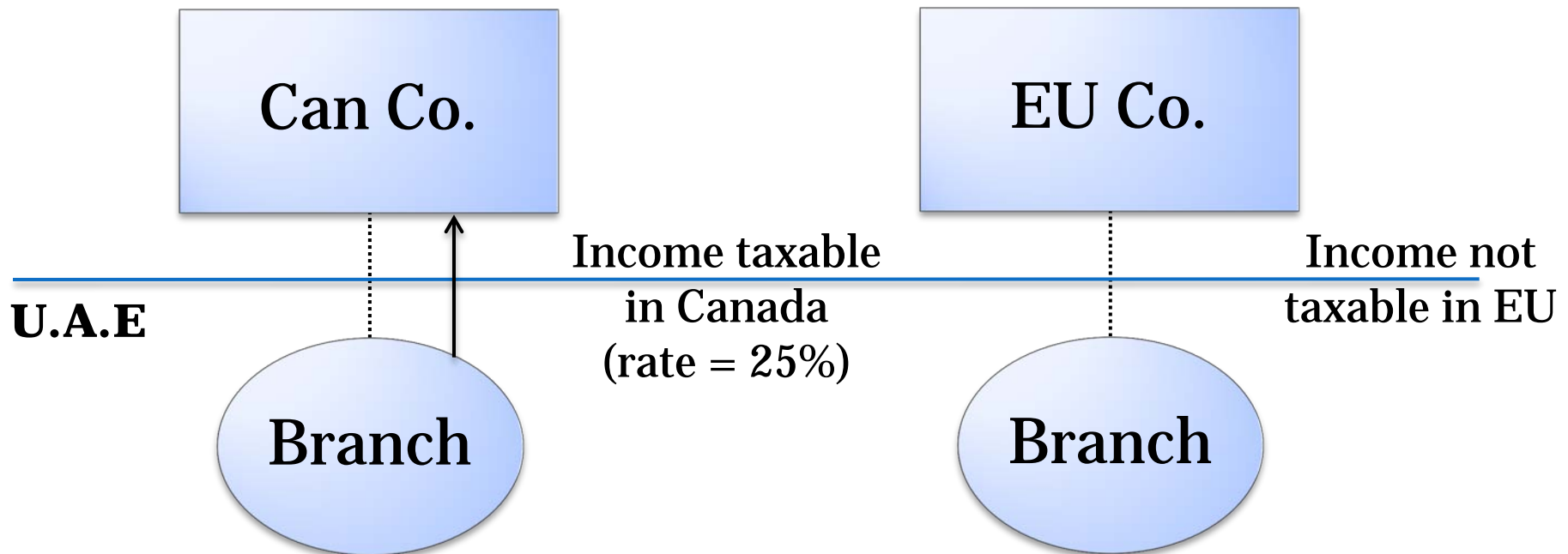
Tax as a Competitive Strategy

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

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