

The background of the cover is a light olive green color. It features a faint, stylized world map. Overlaid on the map are several large, white, glowing circles that intersect to form a network or orbital pattern. A prominent globe with a grid of latitude and longitude lines is positioned in the lower right quadrant, appearing to be part of the network. The text is in bold, sans-serif fonts.

# **INTERNATIONAL TAX REVIEW™**

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## **World Tax 2008**

**The comprehensive guide to the  
world's leading tax firms**

**A Euromoney publication**

# Gulf Cooperation Council

Tax authorities

Ministry of Finance

Tel: +965 248 2000

Email: [webmaster@mof.gov.kw](mailto:webmaster@mof.gov.kw)

Website: [www.mof.gov.kw](http://www.mof.gov.kw)

## LEADING FIRMS

- 1 Ernst & Young  
PricewaterhouseCoopers
- 2 Deloitte  
KPMG
- 3 Cragus Group

The Gulf Cooperation Council (GCC) consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE). The traditionally audit based culture is changing with tax laws developing in the region. Discussions regarding the introduction of indirect taxes continue, while double tax treaties increased from one to seven in Saudi Arabia, with new agreements reached with Russia, China, Malaysia, India, Pakistan and Italy. Local knowledge and experience plays a central role given the lack of published precedents and interpretation of rules. Politics and relationships are influential in operations, including in understanding and dealing with tax issues. Other trends include increasing inbound and outbound investment and countries diversifying their revenue dependencies from oil and gas.

### Tier I

**Farooq Ladha** in Kuwait is the head of tax for **Ernst & Young's** Middle East practice. He advises multinational companies in Kuwait and has 30 years experience in the Middle East. His experience includes regional structuring, cross-border planning and compliance.

Transactions in the region included advising multinational banks on the most tax efficient structures for

Middle East funds, outbound clients on structuring for investments in South East Asia and the Indian subcontinent, and inbound clients on structuring, including advice on where to locate regional headquarters.

## Tax rates at a glance (As of August 15 2007)

### Kuwait

Foreign corporate income tax rate	0%-55%
Capital gains	0%
Branch tax rate	25%
Withholding tax	
Dividends	0%
Interest	10%/25%**
Royalties from patents and licences	10%/20%**
Branch remittance tax	0%
Net operating losses (years)	
Carryback	0
Carryforward	Indefinite

\* The first KD500,000 (\$1.8 million) of chargeable income for a resident company with a paid-up share capital of KD2.5 million (\$8.9 million) or less at the beginning of its basis period is taxed at 20%. The corporate income tax rate reduces to 26% for year of assessment 2008 and thereafter.

\*\* Real property gains tax is charged on the disposition of real property and shares in real property companies.

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Tax authorities

**Ministry of National Economy**

P.O. Box 881 Muscat, Postal Code 100, Sultanate of Oman

**Tel:** +968 2469 8900

**Fax:** +968 2469 8467

**Email:** mone@omantel.net.om

Tax rates at a glance

(As of August 15 2007)

<b>Oman</b>		Royalties from patents and licences	10%
Corporate income tax rate	12%	Branch remittance tax	0%
Capital gains	12%	Net operating losses (years)	
Branch tax	0%-30%	Carryback	0
Withholding tax		Carryforward	5
Dividends	10%		
Interest	10%		

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Significant clients are in construction, technology, financial services, oil & gas.

Notable partner Sridhar Sridharan worked in a public tax practice in India and joined Ernst & Young's Muscat office in 1984. Other responsibilities include head of tax knowledge management in the Middle East and as a member of the firm's advisory council. He is the Middle East regional tax coordinating partner for one of the largest oilfield service companies in the world. His experience includes working with foreign

developers to identify issues for discussion with the government of Oman. He has also assisted companies acquiring new businesses in the region with multi-country tax due diligence. He reviews agreements, discusses and negotiates with tax authorities, and reviews objections and appeals.

Partner **Finbarr Sexton** in the Doha office was described as a "leading light" and is well known locally. He is the international tax correspondent for both the US publications Tax Analysts/Tax Notes International

Tax authorities

**Ministry of Finance**

P.O. Box 83 Doha Qatar

**Tel:** +974 441 4944

**Fax:** +974 4435370

**Website:** www.mof.gov.qa

Tax rates at a glance

(As of August 15 2007)

<b>Qatar</b>		Branch remittance tax	0%
Corporate income tax rate	35%	Net operating losses (years)	
Capital gains	35%	Carryback	0
Branch tax	35%	Carryforward	3
Withholding tax			
Dividends	0%	* The government is reviewing the tax rates with a	
Interest	0%	view to reducing them.	
Royalties from patents and licences	0%	<i>Source: Professionals in member firms of Deloitte Touche Tohmatsu 2007 Copyright Deloitte Touche Tohmatsu. All rights reserved</i>	

## Tax authorities

**Department of Zakat & Income Tax**

Income Tax Department, PO Box 6898 1487,  
Riyadh Saudi Arabia

**Tel:** +966 1 404 4375/4387

**Website:** www.zakat.gov.sa

**Ministry of Finance**

Riyadh 11177

Kingdom Of Saudi Arabia

**Tel:** +966 1 405 0000

**Request information:** info@mof.gov.sa

**Website:** www.mof.gov.sa

## Tax rates at a glance

(As of August 15 2007)

**Saudi Arabia**

Foreign corporate income tax rate	20%*
Capital gains	20%*
Branch tax rate	20%*

## Withholding tax

Dividends	5%
Interest	5%
Royalties from patents and licences	15%
Branch remittance tax	0%

## Net operating losses (years)

Carryback	0
Carryforward	Indefinite

\* Only foreign enterprises are subject to the 20% income tax. Saudi-owned enterprises and Saudi-owned portions of joint enterprises incorporated or registered in Saudi Arabia are not subject to income tax on shares of profits but are subject to *Zakat*, computed on the basis of net worth. Corporate tax on gas projects ranges from between 30% to 85%.

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and the European-based International Bureau of Fiscal Documentation. His experience includes audit, accounting, taxation and related services.

In Saudi Arabia, the firm has advised foreign investors in structuring operations, joint venture arrangements and investment projects. The Dubai practice has advised clients on structuring, diagnostic studies, due diligence reviews, preparation of information memo-

randa, investigations and market entry.

New partners were appointed this year in Dubai, Oman and Qatar. Kevin O'Brien retired and Mahyra Roy went in-house as head of tax at Dubai World, a holding company that manages and supervises businesses and projects for the Dubai government.

Significantly increasing their presence in the region, **PricewaterhouseCoopers** has two partners in Kuwait, four in Saudi Arabia, one in Oman, one in Qatar and four in the UAE.

Global indirect tax leader **Ine Lejeune** has relocated to Dubai. Her experience includes policy work for the OECD, assignments for the European Commission and several cases that were decided by the European Court of Justice. She has also lectured as a professor of indirect taxes at the University of Antwerp.

Other new hires in the UAE include partner **David Stevens** from KPMG's VAT practice in Hong Kong and previously from Australia. He previously led KPMG's Asia-Pacific regional strategy & policy group for taxation & regulatory affairs and assisted Hong Kong, Australian, Singaporean and other foreign governments, organisations, associations and corporations on international tax strategy and policy issues. **Denis McCarthy** from PricewaterhouseCoopers in Australia and **Jeanine Daou-Azzi** from the Lebanon Ministry of Finance also joined the firm as directors.

**Dean Rolfe** is responsible for the UAE and Middle East tax practices. He specialises in areas such as holding company, treasury and finance structures. He also advises on M&A, private equity and real estate. Previously he worked in Luxembourg, Australia, the Russian Federation and the US.

The firm was involved in numerous transactions including due diligence and structuring for regional

Tax authorities

**Ministry of Finance**

Abu Dhabi Office  
 P.O.Box: 433  
**Tel:** +971 2 672 6000  
**Fax:** +971 2 666 3088

**Dubai Office**

P.O.Box: 1565  
**Tel:** +971 4 393 9000  
**Fax:** +971 4 393 9738  
**Email:** mofi@uae.gov.ae  
**Website:** <http://www.uae.gov.ae/mofi/>

Tax rates at a glance

(As of August 15 2007)

**United Arab Emirates**

Corporate income tax rate	0%*
Capital gains	0%*
Branch tax rate	0%*
Withholding tax	
Dividends	0%
Interest	0%
Royalties from patents and licences	0%

Branch remittance tax	0%
Net operating losses (years)	
Carryback	N/A
Carryforward	N/A

\* In practice, tax is not levied in the Emirates, except in case of foreign banks (20%) and oil companies (50-55%, depending on the Emirate).

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international acquisitions, establishment and structuring of funds, financing, assisting with the establishment of business activities within the Middle East region, real estate and financial products.

In Oman, the firm's experience includes withholding tax, customs duties and tax due diligence. In Saudi Arabia, the firm has offices in Al Khobar/Dammam, Jeddah and Riyadh.

The firm has won tenders for projects and one client commented on the level of professionalism in proposals and the "broad experience, large dedicated teams that were pragmatic and sensible". Another client said that PricewaterhouseCoopers "displayed the best understanding of the rules in the various countries in scope and best applied those rules".

**Tier 2**

**Deloitte** assist with the review of international agreements for income tax planning, general tax advice and appeals for clients and government agencies in industries such as oil, gas, petrochemicals, financial services, investments, construction, general trading, manufacturing and real estate. **Joris Vreeburg** left the firm to go into industry.

**KPMG** advises the global member firm clients and government institutions in oil and gas, banking, telecommunications, information technology, distribution, manufacturing, leisure and tourism. The firm advises on cross-border acquisitions and developing and implementing global transfer pricing strategies. Corporations in the region have some positive comments about the Oman practice including about **Ashok Hariharan**, who leads the Oman tax practice. He has more than 15 years experience in Oman.

The **Cragus Group** has six partners in the region – three in Dubai and the others in Kuwait, Oman and Saudi Arabia. **Reggie Mezu** joined the firm as a partner in September 2007 from Shell. Partner **Mark Stevens**, who came from ILS Daman, worked also at PricewaterhouseCoopers, Arthur Anderson and Ernst & Young. He has been in the GCC for more than 10 years. The firm is involved in investment in Africa, policy advice to the government, reviewing exposures and assisting new businesses in the region.

Robert Peake, who started Ernst & Young and Arthur Anderson's tax groups in the region, is a strategic adviser to the firm.

For more information or to subscribe to  
*International Tax Review* please contact:  
UK Hotline: +44 (0) 20 7779 8999 or US Hotline: + 1 212 224 3570