



ALPHA Focus

CORPORATE STRUCTURES ... ASSET PROTECTION ... ESTATE PLANNING ... TAX MITIGATION and more

VAT



Leaders from the six GCC states met earlier this year and confirmed their agreement to implement a 5% value-added tax [VAT] commencing 1st January 2018. The pressure on the GCC to introduce a new tax has come mainly from the IMF to “broaden the revenue base” to compensate for the dramatic reduction in oil revenues over the past 2 years. What is known so far is that health, education and some 150 basic commodities such as food, children’s’ clothing and books will be exempt. VAT is expected to raise some US\$3 billion in additional revenues for GCC Governments.

It is still not clear whether and how VAT will apply to companies within Freezones who have all received 50 year guarantees of “no tax”. It appears that VAT will not be introduced simultaneously throughout the region with UAE announcing it will implement VAT from 1st January 2018 whilst the deadline across the GCC is 1st January 2019. Other challenges that remain are how to instil a culture of tax collection, payment and proper record keeping within the business community and the implementation of a monitoring system at the Government level. Finally, will non-residents visiting the GCC be permitted to reclaim VAT paid when they leave the region as they can in other parts of the world?

CRS



The Common Reporting Standard [CRS] will soon be upon us. Presently some 101 countries have committed to the automatic exchange of information under CRS with the first batch of 54 countries “signed up” to start from 1st January 2017 and the remaining 47 countries a year later. UAE has committed to start the automatic exchange of information with effect from 1st January 2018.

CRS requires financial institutions to obtain financial and personal information on their non-resident clients, and to automatically exchange specified reportable information on an annual basis with other relevant jurisdictions. This automatic information exchange is a mandatory obligation and will commence in May 2017 based on information for the calendar year 2016 for the first batch of countries.

Tax residency [and not nationality] will be a critical factor in determining whether and where your financial and personal details are reported. Hence if you are resident in the UAE with bank accounts in the UAE then your information will be reported to the UAE Ministry of Finance in Abu Dhabi. Similarly, if you have accounts in other countries committed to CRS, then those financial institutions will also report to the Ministry in Abu Dhabi.

BVI



Clients with BVI companies will have noticed that we are asking for much more information than before not only on new incorporations but also on existing companies. The offshore world is changing [!] and there is an unstoppable march forward for [yet] more disclosure from Governments, Regulators, Company Registries and fiscal authorities. Whilst some of the information we collect will be declared to the Registered Agent and Company Registry in BVI the remainder will be retained in our files and we will only be required to confirm that we are in possession of all client due diligence information under our service agreements. The main changes are:

Beneficial ownership: We are required to disclose beneficial ownership to the Registered Agent in BVI. This information is for their records only and not for further disclosure.

Register of Directors: This is now a public document and will be available at the BVI Company Registry. All changes must be reported within 21 days of appointment.

Records: Companies are now required to retain records and underlying documentation for at least five years after the completion of a transaction or termination of a relationship. In addition, the name of the person responsible for maintaining and controlling records and place of retention must be evidenced in a Company Resolution.

Source of Wealth Statement: This statement identifies sources of wealth, re-confirms the company’s main activities, countries where business is conducted and will be shared with the Registered Agent.
