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AACC Economic Panel on “GCC Countries in Transformation: New Tax Landscape”

25 June 2018, Vienna - Austria



On 25 June 2018, the Austro-Arab Chamber of Commerce (AACC) invited to an Economic Panel focusing on the **“GCC Countries in Transformation: New Tax Landscape”** in the premises of Vienna Economic Chamber. The Panel was organised in cooperation with the **Vienna Economic Chamber** and **Crowe UAE** accounting firm, and with the most valuable support of the **Mission of the Gulf Cooperation Council** to Austria.

In April 2017, the six GCC countries, signed an agreement to implement value added tax through the GCC area as from 2018 onwards. The UAE and Saudi Arabia started from early 2018 while other Gulf countries still had some time ahead to implement the new tax system. The introduction of VAT will represent a fundamental change to business operations in a region with little history of taxation. The expert speakers on the Panel further elaborated on the impact of this new system for Austrian companies and businesses with operations in the GCC countries.



The President of the Austro-Arab Chamber of Commerce, **Senator Dr. Richard SCHENZ**, opened the Panel with a warm welcome to the VIP guests, speakers and the interested audience, among them **H.E. Ambassador Dr. Mohammad GHEILANI**, Head of the GCC Mission to Austria; the Chargé d'affaires of the Libyan embassy **Dr. Jalal ALASHI**; diplomats from the embassies and missions of **Kuwait, Yemen, United Arab Emirates, Iraq, Tunisia, Algeria, Jordan, Egypt** and the **League of Arab States**. **Mag. Louai KUZBARI**, vice-president of VIMPEX HandelsgmbH and member of the AACC Board of Directors was also present, together with member companies of the AACC and other interested guests. In total, around 60 persons were participating in this event.



In his introduction, **President SCHENZ** gave an overview on the ongoing transformation process in the six countries of the **Gulf Cooperation Council (GCC)**, comprising of Saudi-Arabia, Qatar, Kuwait, Oman, United Arab Emirates and Bahrain. Beside of some political uncertainties, the Arab Gulf region was a region of economic stability, offering many opportunities for businesses and projects, he explained. Although the trade volume between Austria and the six GCC countries has been slightly decreasing for the past four years, it still has reached 1.5 Billion EUR in 2017, with the United Arab Emirates and Saudi Arabia to lead the charts. President SCHENZ further mentioned that most of the GCC countries had ambitious plans for new and future projects. According to MEED Projects, the regional projects pipeline was forecasted to be over 2 trillion USD of projects currently in the planning stage, indicating that there was a strong need and demand for the core capital expenditure with a focus on transport, housing and social infrastructure. These plans offered various opportunities for foreign and Austrian companies in many fields, according to President SCHENZ.

In his statement on behalf of the Gulf Cooperation Council, **H.E. Mr. Abdulrahman Hassan ALMONIF**, Head of Financial Department at the Economic Affairs Section of the General Secretariat, presented a concise overview on the GCC's unified agreements for VAT & Excise Tax, which had been signed in 2017. He informed that UAE, Bahrain and Saudi Arabia had already implemented the GCC unified agreement for Excise Tax, adding that the GCC's Supreme Council had agreed on a list of selected goods identified as harmful to human health or the environment, where special tax rates would be set (eg. tobacco, energy drinks, alcoholic drinks with 100% tax rate). The GCC also agreed on a unified VAT tax rate of 5% on all goods & services with some exceptions (eg. medical devices and medications). In addition, the GCC's VAT Unified Agreement had identified a list of goods (eg. some foods) and services (eg. education and medical sector) that would allow any member state to put on zero VAT rate or exempt those items totally from VAT.



The presentation of **Mr. Richard BANDERA**, the Austrian Commercial Counsellor in Abu Dhabi, and responsible for UAE; Oman; Bahrain; Kuwait; Qatar and Pakistan focused on the “Success story Austria in the Gulf Region. Developments and future outlook”. He gave a detailed overview with facts and figures, including the trade volume between Austria and the GCC which showed a 1 billion Euro trade surplus in 2017, according to Statistik Austria. Mr. Bandera also identified the top 10 Austrian export products to the GCC countries, with machinery, electrical machinery, automotive and pharmaceutical goods heading the list. He further informed that most Austrian companies in the GCC were based in the UAE, followed by Saudi-Arabia, Qatar, Bahrain, Oman and Kuwait, and gave success stories of Austrian companies like Strabag, ILF, Porr, Doka, Swarovksi, Nous, Liebherr and many others. The importance of Austrian tourism income from GCC countries was also mentioned in his report, with tourists coming from UAE having generated almost 80 million Euro income in 2017, followed by tourists from Saudi-Arabia, Kuwait, Qatar, Bahrain and Oman.



Mr. BANDERA further shed light on current challenges and regional difficulties, and gave an outlook for the future, where mega-events such as the Expo 2020 Dubai and the World Cup 2022 were about to increase special attention and opportunities for the region. At the end of his presentation, Mr. BANDERA informed about recent agreements, including the agreement of Austria’s participation in the upcoming Expo 2020 Dubai, and the recent signing of a Memorandum of Understanding between the Austrian company OMV and ADNOC for 1,5 Bn. USD investment.

The “new tax landscape in the GCC countries and what does it mean to the businesses in the region – Introduction of VAT and Excise Tax in the GCC” was the title of the highly informative presentation by **Mr. Markus SUSILO**, Partner at Crowe UAE. Mr. Susilo started his presentation with a general overview of the GCC states and the planned implementation of VAT Tax, where he informed that UAE and Saudi Arabia had already implemented the VAT, and Oman, Bahrain and Qatar to follow suite. According to public sources, Kuwait will not realize the VAT until 2021, he also explained. He

went on to present a comparison between the GCC and EU tax region by indicating similarities and differences.

Mr. SUSILO showed that the GCC region had agreed on an unified VAT rate, by recognizing the traffic of goods and services as “intra-GCC movement”. The European Union, by comparison, had no unified VAT tax agreement and VAT rates would differ across EU member countries, he further explained. Mr. SUSILO then provided detailed information on deadlines, transitional arrangements, tax period and company registration requirements for VAT in the UAE and Saudi Arabia. He gave valuable information on VAT exempt goods or zero-rated supplies and exceptions to VAT tax collection in the GCC countries in general, and in the UAE and Saudi-Arabia in particular. For example, he identified 0% tax or exemption for health care, medicine and medical equipment, real estate, food products, oil and gas in the whole GCC region.



“The aspects to be considered by Austrian companies doing business in the GCC VAT environment, from the perspective of both the Austrian VAT laws and GCC VAT laws / Case studies of subsidiaries, distributors, and branch offices of Austrian companies in the GCC countries” was the topic of the second part of Mr. Susilo’s presentation. Together with his colleague **Mr. Tobias HAYDEN** from Crowe Austria and **Mr. Helmut ZECHMEISTER** from Vanas & Partner he showed specific case studies for trade and VAT application and explained which tax regulation from the respective country – Austria or the UAE - was relevant for the specific case and how it was applied.

The presentations were followed by an open discussion, where the panelists answered specific questions coming from the interested audience.



Afterwards, all participants were invited to a delicious Oriental buffet, which was most generously sponsored by Crowe UAE.

