

Introduction to the Middle East Region and Regional Tax

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21 – 22 May 2013



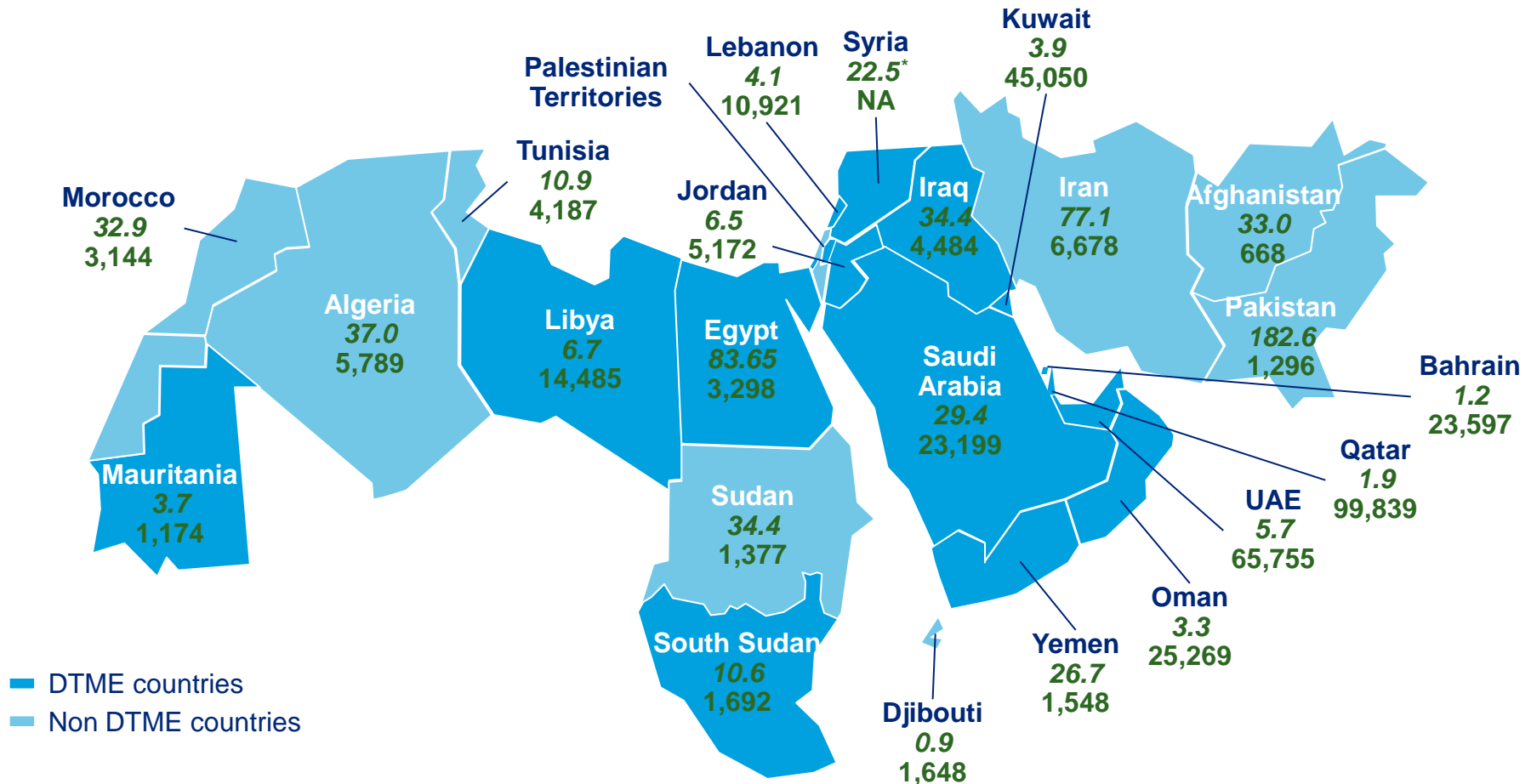
Agenda

- Geographies and sectors
- Opportunities and challenges
- The role of taxation

MENA is a large and heterogeneous region

Population, millions estimated (2013)

GDP per capita, U.S. dollars estimated (2013)

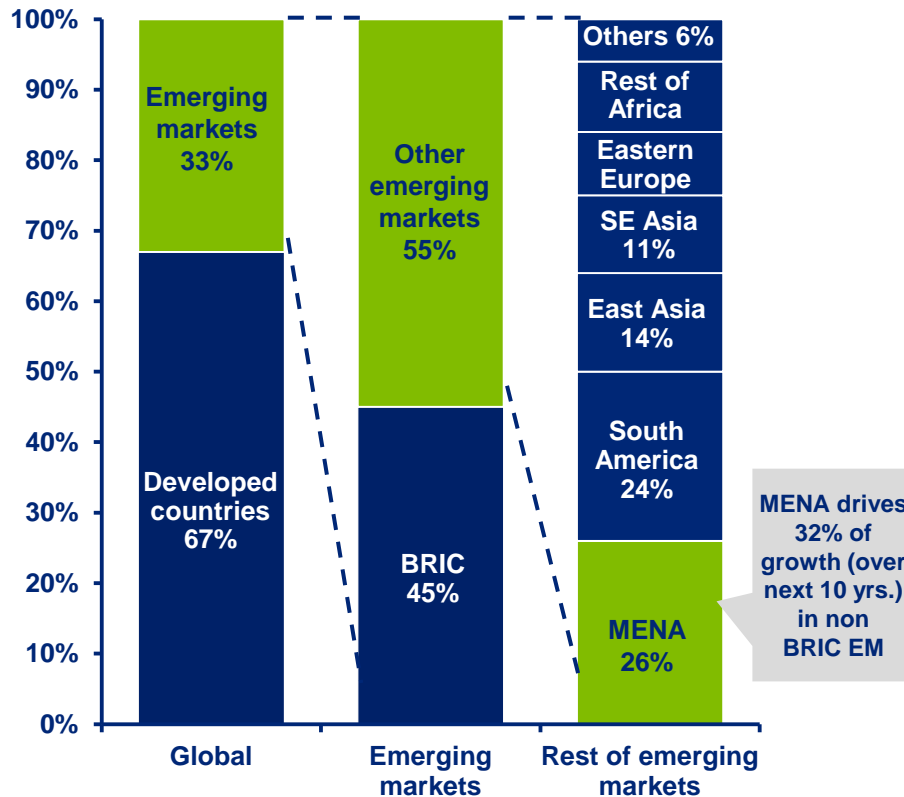


Note: All the above figures are estimated by IMF

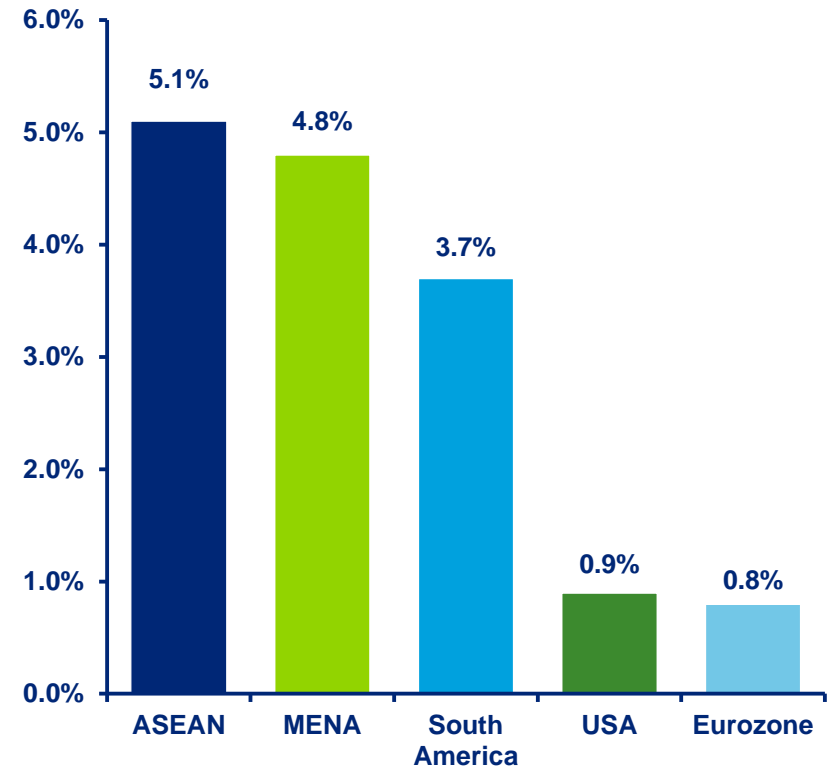
* CIA 2013 estimate

MENA is the largest emerging market regions after BRIC, with strong historic growth

Large emerging market region 2010 GDP, USD T



Strong historic growth Real GDP CAGR (2005–10)

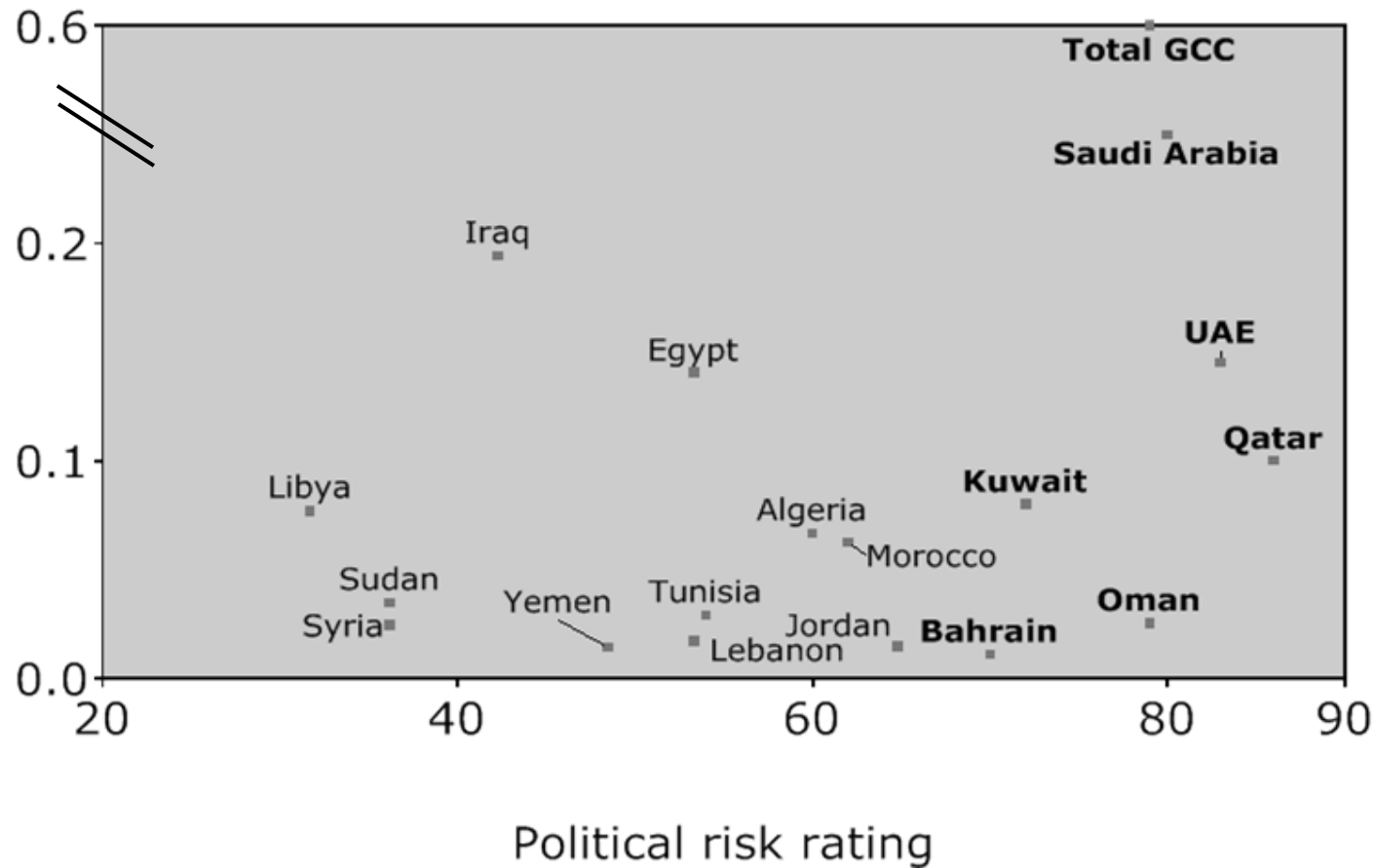


Source: Euromonitor, EIU

Note: Other includes CIS outside Russia and South Asia outside India, MENA includes Turkey

The GCC is a popular entry point in the region due to its attractiveness and relatively low riskiness

GDP growth 2010–20 (USD Tn)



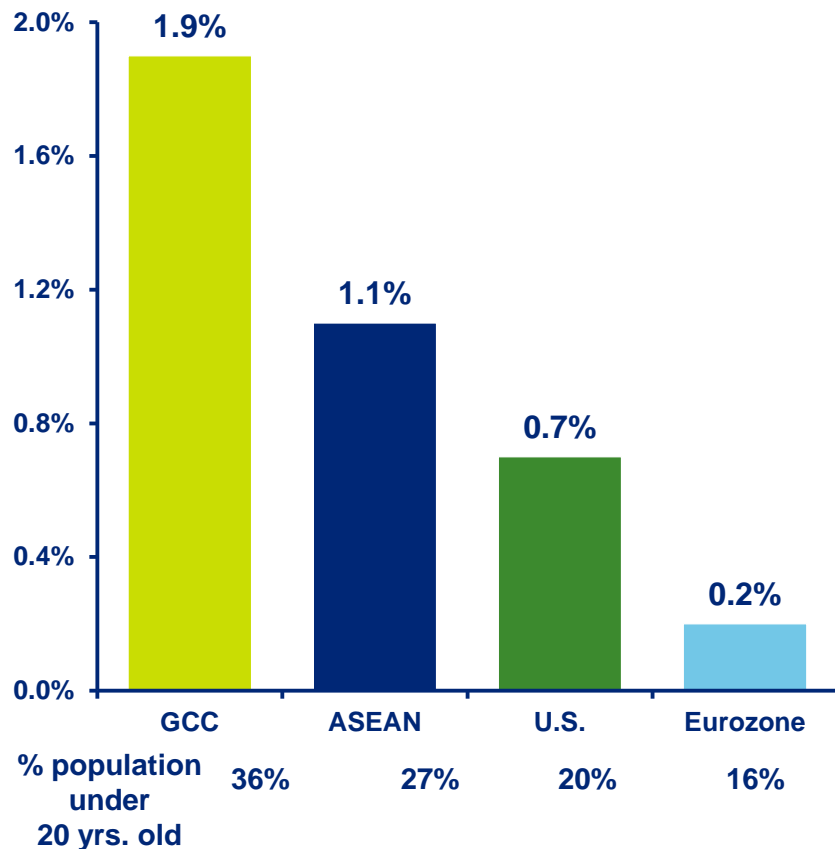
Source: Euromonitor, BMI, EIU (October 2011)

Note: Excludes Iran and Turkey

Large and growing population with rising purchasing power

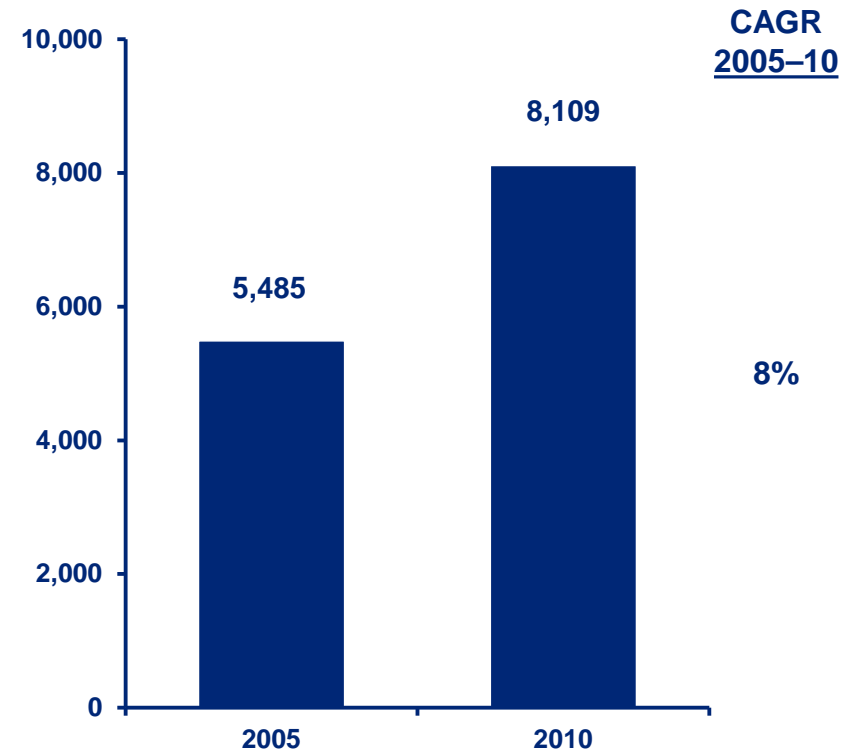
Growing population

Population CAGR 2010–15 (%)



Rising purchasing power

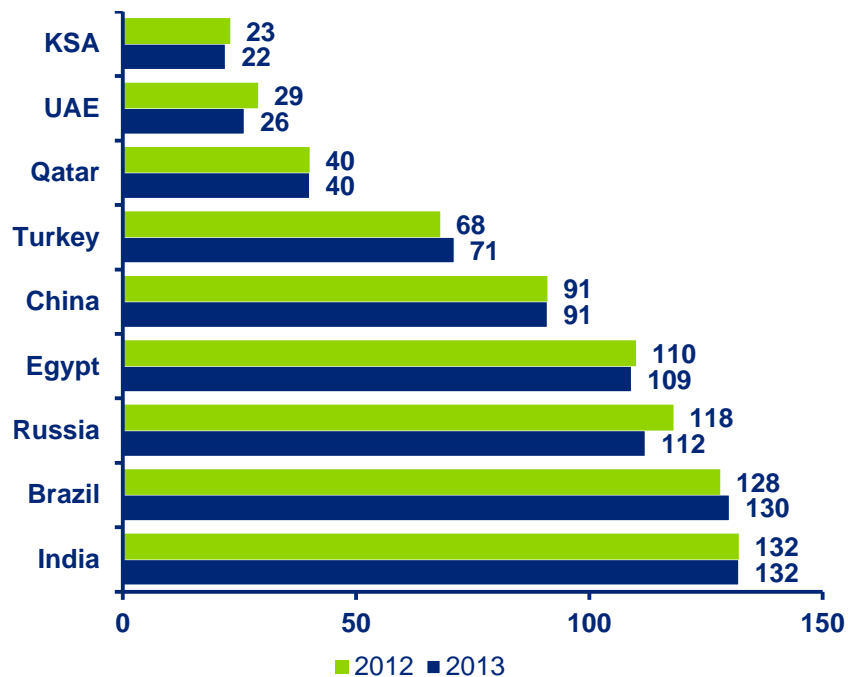
Consumption per capita (USD)



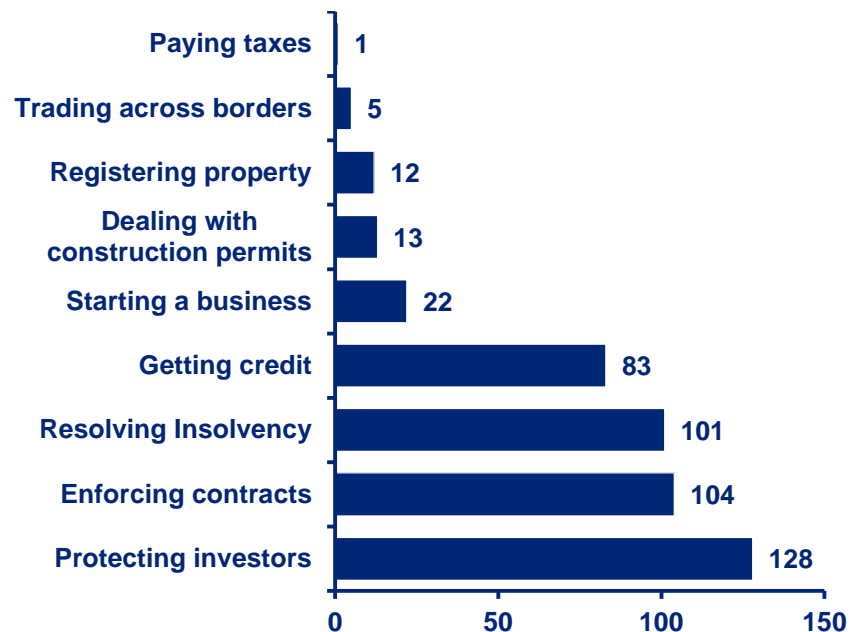
Source: Euromonitor

Improving business environment, superior to most emerging markets

Ease of doing business (1 = Best country, 2013 ranking)



Doing business rank for the UAE (1 = Best country, 2013 ranking)



Overall strong rankings; difficulty to enforce contracts and access to funding/loans remaining obstacles

Oil & Gas economics

Number of years of oil production (2011)

	Oil Reserves (000 mn barrels)	Oil Production (000 mn barrels)	Yrs of Production (at current levels)
KSA	265.4	9,955	73
Kuwait	101.5	2,865	97
UAE	97.8	2,867	94
Abu Dhabi	92.9	2,723	94
Qatar	24.7	1,569	43
Oman	5.5	891	17
Bahrain*	0.25	45	15

Qatar has more 170 years of gas reserves at the 2011 production levels, while Kuwait has 138 years the UAE around 118 years.

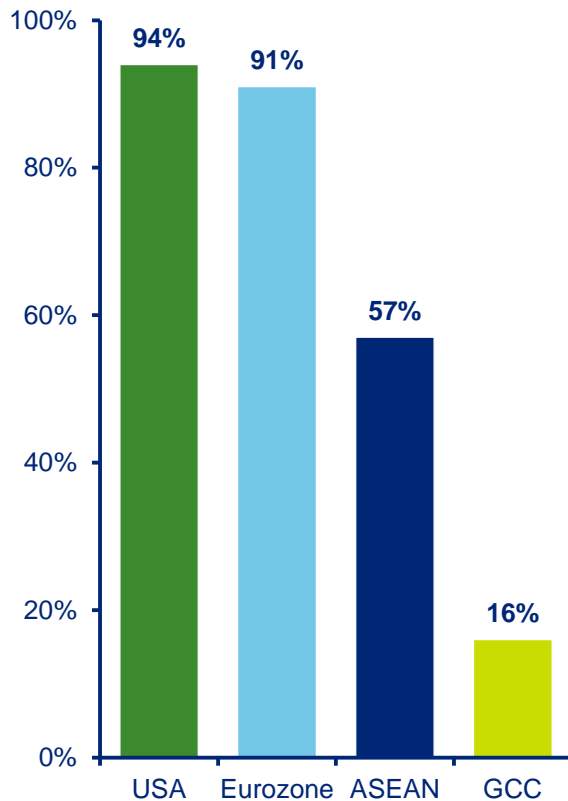
*Bahrain onshore only, excluding Saudi-Bahrain jointly owned Abu Saafa oilfield

Source: BP Statistical Review 2012

Healthy macro-economics foundations: Low debt, healthy current account and high sovereign ratings

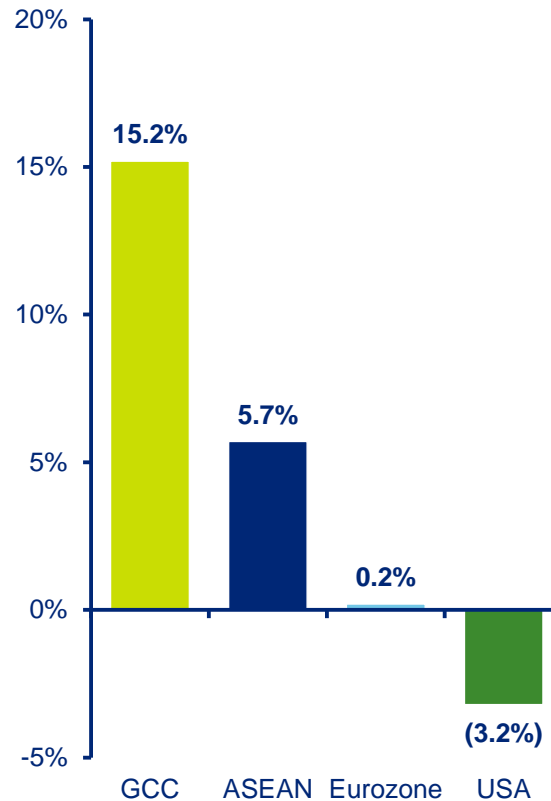
Low reliance on debt

Public debt as a % of GDP (2010)



Healthy current account

Current account balance as % of GDP (2010)



Investment grade sovereign debt in GCC

Sovereign	S&P rating
Abu Dhabi	AA
Bahrain	BBB
Kuwait	AA
Oman	A
Qatar	AA
Saudi Arabia	AA-

Source: Euromonitor; EIU, Bain Analysis

Dubai has benefited from the regional growth

Dubai GDP growth

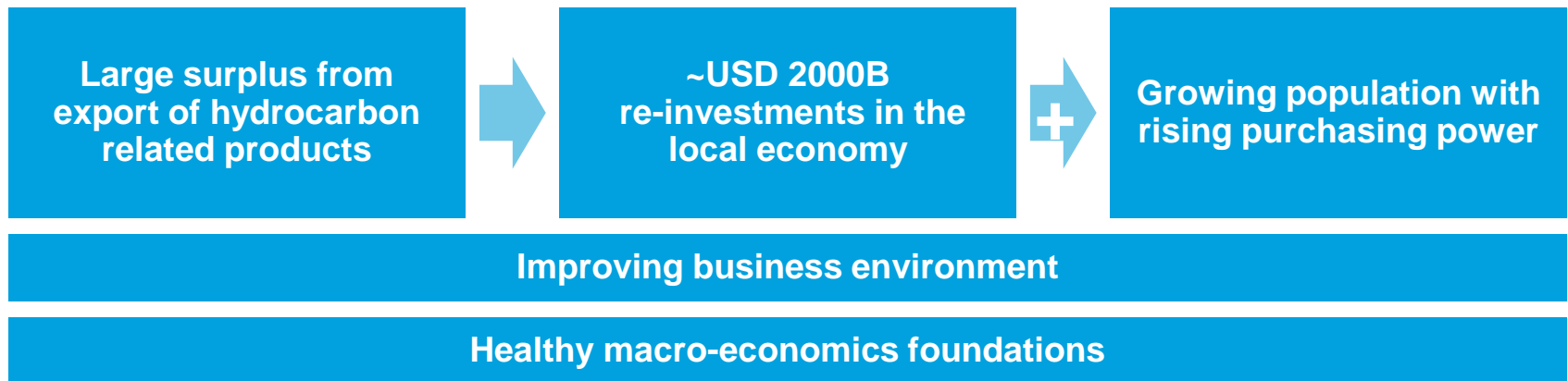
Real GDP growth rate (%)

Dubai to remain a key GCC hub

- Growth in tourism (~30% of GDP, +10% in Q1 2012) and trade (JAFZA 20% of GDP, +5% in 2011), has more than offset decline of the construction sectors
- Recent resurgence in real estate prices
- Dubai's role as a key regional hub is still largely unchallenged
 - Some of the best hard infrastructure (airport, port, metro, etc.)
 - Some of the best soft infrastructure (education, health, lifestyle, cultural DNA, ranks favorably as an attractive place to work for expatriate employees)

The GCC macro trends drive three types of investment opportunities

Macro trends in the GCC



Attractive investment opportunities



In the broader MENA region, job creation remains a major challenge

**Between 50–80m jobs must be created
just to maintain unemployment levels**

**This level of job creation requires
a 7% GDP growth rate**

**Likely opportunities for job creation focused on legalising
the informal economy, entrepreneurship and SMEs**

**Three major obstacles must be overcome:
Access to Capital, Access to Market, Access to knowledge**

How does taxation fit into the picture

- Some countries in the region are rich in natural resources from which revenues (including oil taxation) are derived and are less reliant on other forms of taxation
- However, not all countries in the region are blessed with such resources and have greater need of wider tax revenues
- Historically, there has tended to be reliance on basic taxes and charges such as customs duties as a revenue generation measure
- But, accession to the WTO and expansion of regional free trade areas puts downward pressure on such tariff barriers thereby impacting revenues
- These shortfalls need to be made up from domestic revenues
- Consequently many countries in the region now have corporate tax regimes of some sort
- More of them are considering taxes such as VAT or GST
- They are all evolving as will be seen in the presentations over the next two days

Questions and answers

Please Remember to
Complete Your Evaluation

Speaker bios

Nauman Ahmed has over 29 years of experience in the profession, gained in the UK, Turkey and Canada with one of the Big Four, before joining Deloitte & Touche in the Middle East. Nauman is the Deloitte Middle East Tax Leader and also in charge of the practice in Al Khobar, Saudi Arabia. He is the lead client service partner on some of the most prestigious and multinational clients of the firm.

Nauman's area of expertise is tax planning and structuring in Saudi Arabia. His clients include some of the largest private business families in the Kingdom and in his capacity as tax advisor has advised a number of these family groups on tax/zakat efficient restructuring.

Nauman is an Associate of the Institute of Chartered Accountants in England & Wales and a regular speaker on Saudi Arabian zakat and tax seminars.

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Ali Kazimi is a tax partner with Deloitte & Touche in Dubai. He has over 20 years of financial services sector experience gained with leading financial institutions and professional advisory firms, including eight years as the Head of Taxation at Barclays Global Investors. He has more recently focused on advising on the implications of FATCA.

Ali has recently moved to Dubai to build our practice in the Middle East and North Africa. He works primarily with institutional investors, asset and wealth managers, investment brokerage and platforms, and investment services firms. Ali is a frequent speaker at conferences and has also written on wide range of topics including Securities Lending, Sovereign Fund Investing, Pension & Asset Pooling, Multi-Manager Investing, Custodial Structures, and Stamp & Transfer Taxes. He has considerable experience of lobbying and negotiating with international taxation authorities.

Ali is a Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW").

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