UAE

With oil prices at approximately US$70 per barrel, the countries of the GCC are putting in place incentives to attract foreign capital and investment to sustain their economies over the medium and long term.

Abu Dhabi Stimulus Package

In May 2018, HH Sheikh Mohamed bin Zayed Al Nahyan, the Crown Prince of Abu Dhabi, announced a AED 50 billion (approx. Euro 11.6 billion) economic stimulus package for Abu Dhabi aimed at accelerating economic growth over the next three years.

A number of economic initiatives were also launched aimed at promoting the ease of doing business in Abu Dhabi and enhancing the work experience for UAE Nationals, residents and investors including:

- exempt new licences from the requirement of having a physical presence for two years;
- implement instant licensing systems for most commercial licence types and all services provided by the Abu Dhabi Government;
- accelerate the settlement of payments due on contracts for the private sector;
- review all fines for the healthcare, education and municipalities' affairs sectors;
- form a committee by the Executive Office and the Department of Finance to oversee the initiative related to the healthcare, education and municipalities' affairs sector;
- establish the Abu Dhabi Accelerators and Advanced Industries Council to attract and support value-added investments and technologies;
- provide at least 10,000 jobs for Emiratis in the private and public sectors over the next five years;
- encourage and organise local production and support SMEs to boost their competitiveness locally and regionally; and
- issue dual licences for companies in Abu Dhabi Free Zones to enable them to work outside the particular Free Zones i.e. on-shore and to participate in government tenders.

Dubai New Insurance System for Employees

HH Sheikh Mohammed bin Rashid, Prime Minister and Ruler of Dubai, announced new legislation approved by the UAE cabinet which includes doing away with bank guarantees for the recruitment of personnel in the private sector, creating what is expected to be a AED 14 billion (approx. Euro 3.25 billion) stimulus for the economy and lowering the cost of doing business.

The Cabinet approved the adoption of a "low-cost insurance" system as an alternative to the monetary guarantee provided by employers which costs AED 3,000 per employee. In contrast, the insurance will be priced at AED 60 per year per employee.

This insurance policy will cover the employees' end of service benefits, vacation allowance, overtime allowance, unpaid wages, return air ticket and compensation in case of work injury (where the insurance coverage will amount to AED 20,000 per person). The scheme is aimed at securing employee' rights in the private sector and reducing the burden on employers, thereby allowing businesses to recover about AED 14 billion in guarantees freeing up such capital for other purposes such as reinvestment.

The new labour insurance system is aimed at helping to create a more competitive environment. In addition, visas will be able to be renewed without the need for employees to leave and re-enter the country under new legislation approved by the Cabinet.

The reforms also include no fee, six-month temporary visas to help those who have lost their jobs to find new employment.

In addition, the Cabinet approved 48-hour visas without charge for transit tourists and two-year visas for “talented and outstanding” students to stay after graduation.

It also approved granting those who have stayed beyond the expiry of their visas to depart the country voluntarily and without incurring a ban.

These incentives are in addition to the major announcement in May that foreign investors may also be able to hold more than 51 per cent. of the share capital of companies incorporated in the United Arab Emirates The UAE is proposing to permit 100 per cent. foreign ownership of UAE companies by the third quarter of 2018.

Bahrain

10-Year Residence Permit for Foreign Investors

In an effort to attract business and encourage economic growth, Bahrain is to issue renewable ten-year residency permits to foreign investors.

HH Bahrain Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister Salman bin Hamad Al Khalifa instructed the Minister of Interior to prepare a draft law to create a new self-sponsorship residency permit for foreign investors. At this time, it is not known when this Law will be enacted.

Discussions of extending residence permits for foreigners come at a time when Bahrain and other GCC countries are facing a slower pace of growth and difficulties in economic diversification away from oil and gas.

The move is intended to boost Bahrain’s position as an investment destination and to achieve economic growth in the country’s various sectors.

Previously, the Bahraini Prime Minister Prince Khalifa Bin Salman Al Khalifa issued a decree allowing foreign investors to own a 100 per cent stake in a number of businesses.

Qatar

100 per cent ownership for foreign investors

Similarly in early 2018, the Government of Qatar approved a law which permits 100 per cent ownership for foreign investors in most sectors of the economy. It was previously restricted to 49 per cent. This move has been made in order to attract foreign capital to Qatar as well as boost non-energy related revenue.

According to the Qatari Economic and Trade Minister Shaikh Ahmed Ben Jasim, the law pushes forward the cycle of economic development and “it boosts Qatar’s status in global economic indicators as one among those countries which facilitate businesses”. While the Investment Law Regulating The Investment of Foreign Capital In Economic Activities allows foreign investors to own 100 per cent of their businesses, they will not be allowed to purchase real estate or own franchises. Investing in banking and insurance still needs special government permission.

In a related move, Qatar announced visa exemptions for 80 nationalities. The Government has been seeking ways to secure new revenue streams in an attempt to bridge the economic gap caused by the boycott by Saudi Arabia, the UAE, Bahrain and Egypt which started in June last year.

Kuwait

New incentives to increase the volume of foreign investment

Kuwait is also offering a number of incentives in an effort to increase the volume of foreign investment coming into the country. Certain professional firms are of the view that Kuwait continues to create an encouraging investment climate for the private sector to invest in infrastructure projects.

Benefits to foreign investors include income tax holidays up to 10 years and exemptions from custom duties for importing relevant equipment and materials into the country.

In addition, the Kuwait Direct Investment Promotion Authority (KDIPA) has introduced a scoring system to be followed when evaluating the issuance and approval of investment licenses.

Kuwait has previously announced its 2035 vision, a development program plan which will mainly focus on developing North Kuwait and the different islands around the country. The main objective of this development program is to attract investment, develop competitiveness and improve legislature in order to support the economic and social systems which are expected to boost the local employment.

Kuwait has also recently announced that it will delay the implementation of value-added tax (VAT) to 2021. The GCC Member States (Saudi Arabia, Bahrain, Kuwait, Qatar, Oman and the United Arab Emirates) agreed to implement VAT regimes based on the principles agreed in the Unified GCC Agreement for Value Added Tax with a deadline of 1 January 2019. Saudi Arabia and the UAE were the first to implement VAT on 1 January 2018.

Saudi Arabia

New PPP law

In July 2018, Saudi Arabia published a draft law regarding partnerships between the government and private sector in order to launch billions of dollars' worth of infrastructure projects and attract new foreign investment.

The draft provides that investors will benefit from exemptions from certain labour laws, real state ownership restrictions and other regulations.

The National Centre for Privatisation and Public-Private Partnerships stated that it would accept comments from the public on the draft for three weeks before promulgating the Law.

In April 2018, Riyadh had also announced that it aimed to generate SAR 35 billion to 40 billion (approximately Euro 8 billion to Euro 9 billion) of non-oil state revenues from its privatisation programme by 2020. Some of the expected generated capital would result from asset sales while the rest would result from public-private partnerships (PPPs) deals in which private companies.

Until now there has been little actual progress because of the lack of a legal framework covering such projects even though local Authorities have been talking about PPPs as a key factor to diversify the economy beyond oil exports.

The draft Law acknowledges that state employees may need to be transferred out of projects and that some companies may be exempted from meeting minimum requirements for the ratio of Saudi citizens in their workforces.

The draft Law also permits bidders for PPP contracts to appeal awards by the Government which represents an effort to increase transparency and attract a wide range of bidders.

As well, rules may be relaxed to let foreigners own real estate (except for properties in the holy cities of Mecca and Medina) according to the draft. On the other hand, within Mecca and Medina, companies may lease real estate for limited periods.

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