The author’s original paper, “Taxation and the GCC States”, was published in October 2010. Revisiting the subject seven years later reveals significant changes having affected and continuing to affect the region - the most notable being the 2011 Arab Spring and its aftermath and, from 2014 onwards, the sharp downturn in oil prices. Both events had significant impacts on the taxation issue in terms of the relationship between rulers and citizens, and the increasingly urgent requirement to implement economic reforms. The sustained downturn in oil prices from 2014 onwards dramatically reshaped the regional economic situation, further increasing the pressure for reforms including taxation policies recommended by international organisations such as the International Monetary Fund. In implementing the recommendations, the six Gulf Cooperation Council states - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates - publicly coordinated their policies with the IMF to assist in legitimating often domestically unpopular measures, culminating in the 2016 agreement to implement Value Added Tax across the GCC in 2018. By mid-2017, amid varying degrees of opposition to taxation, Kuwait and Bahrain’s parliaments had not given their assent to VAT legislation and it became clear that despite the regionally agreed January 2018 launch date, some GCC states would not be ready in time.

At the beginning of 2011, few could have predicted the profound political changes that would sweep the Middle East and North Africa. In the Gulf, the effects were most evident in Bahrain and Oman, the two least affluent GCC states. Subsequent increased government spending on welfare provision, particularly in Bahrain, Saudi Arabia, and Oman, including public sector job creation and pay rises was arguably, even in the era of relatively high oil prices, financially unsustainable and potentially counterproductive by creating unrealistic economic expectations amongst GCC citizens.1

1 See for example, Michael Peel and Robin Wigginsworth “Arab rulers
The issue of taxation also became entangled with protestors’ demands regarding the political and economic relationship between rulers and their subjects.

In Oman in February 2011, protestors’ slogans included “the abolition of all taxes”, such as taxes on health care and on lands offered by the state. In Bahrain, even before the 2011 upheavals, ratings agency Moody’s rationale for its August 2010 downgrade partly derived from government ability to generate revenues from the non-oil sector being “...hampered by its narrow tax base”. The introduction of a tax on foreign labour in Bahrain was controversial and introducing other taxes proved problematic. Indeed as a sign of taxation’s importance, aspects of the country’s 2011 national dialogue process included consideration of a corporate tax and VAT. The political complexity of taxation in Bahrain was reflected by the Shiite opposition movement, Wefaq, giving its parliamentary support to the foreign labour tax in the hope of increasing Bahrainis’ employment opportunities, whilst Sunni and Shiite businesspeople across the country opposed the measure. In April 2011, the labour tax was suspended and was not reintroduced until 2013 at a lower rate.

Generally in 2011, VAT implementation was regarded as being unlikely in the GCC before 2014. Regardless of its desirability, timing was crucial for some states. The Omani Minister for

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Bahrain

The introduction of a tax on foreign labour was controversial and introducing other taxes proved problematic.

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5 “Sunday’s dialogue session to discuss concerns”, Bahrain News Agency, Manama, 17 July 2011.
7 Kristian Coates Ulrichsen “The Politics of Economic Reform in Arab Gulf states”, 2016, Center for the Middle East, Rice University’s Baker Institute for Public Policy, Houston, Texas, p.17.
Financial Affairs commented in 2013 that whilst VAT in the Sultanate was an ideal solution, it could only be implemented at “a suitable time.”

Oman did implement a foreign labour taxation scheme similar to that in Bahrain but with fees determined as a percentage of the foreign labourer wage bill. In Kuwait by contrast, some politicians disputed IMF recommendations that the emirate should implement taxes on services at all, instead calling for government measures to encourage greater foreign investment. Others argued the Kuwaiti government had no need of additional revenue because of existing surpluses. Such views contrasted with the Kuwaiti Prime Minister’s 2013 warning that, “the current welfare state that Kuwaitis are used to is unsustainable...It is necessary for Kuwaiti society to transform from a consumer of the nation’s resources to a producer.”

In April 2012, the Saudi Shura Council again rejected a plan to impose tax on foreign workers as it had in 2003. However, this time the Saudi Ministry of Labour went ahead with a tax on every foreign worker in the private sector where their number exceeded Saudi workers. The Shura Council challenged the Labour Ministry’s introduction of the tax and was reportedly “working on finding a way for the ministry officials to reconsider their decision...”

A subsequent commentary in the Jeddah-based Arab News was also critical, raising the possibility of the tax measure being reversed, whilst highlighting the level of governmental determination to implement new taxation policies despite local opposition.

In December 2012, Dubai’s Gulf News ran a chronological history of taxation in Britain dating from 1512 to 1996, with particular emphasis on its introduction and development in spite of opposition. This may have been a means to prepare local opinion for the gradual introduction of further taxation measures. Another report noted a cautionary statement by the Dubai Economic Council, in response to federal UAE taxation proposals, that implementing taxation should not be rushed. “Imposing taxes, if any, should be performed on two stages. First: imposing VAT...provided that national institutions should be prepared for the process in terms of technology, knowledge, human resources and material resources. In light of this and after considering the general atmosphere and trends, other taxes mulled

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9 “VAT GCC at an opportune time”, Gulf News, Dubai, 3 January 2013.
11 B. Izzak “MPs slam govt ‘taxation plan’”, Kuwait Times, Kuwait, 25 October 2010; “Former MPs oppose IMF’s proposal to impose taxes”, Arab Times, Kuwait, 1 August 2012.
12 Sylvia Westall “Kuwait’s PM says welfare state is ‘unsustainable’, calls for cuts”, Reuters UK, 28 October 2013.
14 Harrison op.cit. p.5.
17 “Expat labor fee will finally hurt the consumers”, Arab News, Jeddah, 24 December 2012.
by the government can be considered in line with developments”.¹⁹ That these measures were put forward in the UAE at a federal rather than emirate level also indicated a shift in the political balance following the Dubai financial crisis. Previously, Dubai appeared to be at the forefront of a possible VAT experiment.

The 2012 GCC Supreme Council summit declaration mentioned a timetable commitment to various economic issues including tax measures,²⁰ and the signs in some member states were that various new taxes, including VAT, were being actively considered. Measures introduced to increase efficiency of collection and administration of existing taxes to help increase state revenues, and raise levels of expertise in handling taxes more generally not only helped governmental revenues but gave greater legitimacy to the idea of taxation in a region unused and sometimes opposed to it. In Oman for example, in December 2012 the Sultanate’s Finance Ministry reported a fivefold increase in corporate tax revenues for 2011, attributing the rise to better performance of taxpayers and increasing frequency of assessment.²¹ However, a regional consensus on the broader issue - that is of implementation rather than consideration and recommendation - remained elusive and, in some states post 2011, became increasingly linked to wider domestic political issues.

²¹ See Santhosh V. Perumal “Mena countries to raise level of tax scrutiny, E&Y”, Gulf Times, Qatar, 5 December 2012; “Corporate income tax revenue to hit RO340m”, Times of Oman, Muscat, 10 December 2012.
Oil prices remained relatively high until the end of 2013 providing the majority of GCC states with significant surpluses. However, their sharp downturn from 2014 dramatically changed the regional economic situation. According to Kuwaiti economist Jassem Al Saadun, during the era of high oil prices member states “missed an important opportunity to reform and build a real diversified economy...Public spending has soared to new record highs and it was not for vital infrastructure projects to diversify the economy”, but mostly for “wages, salaries and subsidies...”

Government expenditure-saving measures focused on significant subsidy reductions and raised utility charges. In the case of Qatar, the Minister of Development Planning and Statistics said in 2015 that, “a greater discipline has become an urgency in the assessment and spending of development budgets for all programmes and projects.” Plans were announced removing gasoline and diesel subsidies in 2016. Qatari taxation policy plans included altering stamp duties, and increasing tax on tobacco, alcohol, and energy drinks. According to the Institute of International Finance, such measures would add 1-2% of GDP to government funds.23 With oil prices expected to remain comparatively low the IMF Middle East and Central Asia chief, Masood Ahmed, urged GCC states to adjust to a “new reality” in which he predicted member states would return average deficits of 13% of GDP for 2015. However, he added financial reserves would help cushion the effects of a changing economic environment, and cited the UAE’s decision to lift fuel subsidies as a “good example” for other member states to follow.24

22 “Gulf braces for tough times over oil price plunge”, Agence France-Presse, 19 December 2014.
24 “Gulf should adjust to new oil price ‘reality’: IMF”, Agence France-Presse
February 2016, the IMF managing director, Christine Lagarde, said Gulf economies needed “to strengthen their fiscal frameworks and reengineer their tax systems by reducing their heavy reliance on oil revenues and by boosting non-hydrocarbon sources of revenues,” ideally with a regionally harmonised VAT. “Even at a single-digit rate, such a tax could raise up to 2 per cent of GDP,” with greater emphasis also given to corporate income tax, property, and excise taxes. Public interventions by senior IMF officials in the taxation issue were arguably helpful to member states in providing justification for introducing measures against a backdrop of public and business opposition.\footnote{IMF chief urges Gulf states to bring in taxes, Agence France-Presse, 22 February 2016. See also “IMF’s Lagarde urges tax, spending reforms in Gulf”, Reuters, 8 November 2015.}

Therefore, a renewed commitment emerged within the GCC states to implement taxation policies. Having agreed in June 2016 to implement 5% VAT on certain goods from 2018, GCC states also publicly linked taxation policy with IMF recommendations. When Saudi Finance Minister, Ibrahim Al Assaf announced forthcoming taxation measures following discussions with his regional counterparts and central bank governors, he did so in the presence of IMF managing director, Christine Lagarde.\footnote{Gulf ministers to finalise VAT deal, Agence France-Presse, 26 October 2016.}

In its most recent country-specific assessments, the International Monetary Fund recommended Bahrain should contain “current expenditure, including the wage bill”, further reduce energy subsidies, increase non-oil revenue, “including through the VAT and exploring other revenue measures,” whilst minimizing any adverse impact on vulnerable groups. Additional recommendations included “strengthening revenue administration”, and implementing “a strong communication campaign to explain the authorities’ adjustment plans to help strengthen public awareness and support and maintain market confidence.”\footnote{IMF Executive Board Concludes 2017 Article IV Consultation with the Kingdom of Bahrain, 21 August 2017, Press Release No.17/331, Washington D.C.} For Kuwait, recommendations included gradually removing fuel and electricity subsidies and controlling the wage bill, along with introducing VAT and business profit tax and re-pricing government services.\footnote{IMF Executive Board Concludes 2016 Article IV Consultation with Kuwait, 17 January 2017, Press Release No.17/12, Washington D.C.} In the case of Oman, the IMF noted the Sultanate had taken “important policy measures in 2016, including fuel price reform, to address the impact of lower oil prices… Over the medium term, timely implementation of the increase in corporate income tax and planned introduction of VAT and excise duties will underpin a continued improvement in the fiscal position.”\footnote{IMF Staff Completes 2017 Article IV Visit to Oman, 18 May 2017, Press Release No.PR17/180, Washington D.C.}

Noting the dispute between Qatar and three of its neighbours – Bahrain, Saudi Arabia, and the UAE - the IMF warned that over the longer
term the situation, “could weaken confidence and reduce investment and growth, both in Qatar and possibly in other GCC countries as well.” The IMF expected Qatar’s 2018 budget “to continue with gradual fiscal consolidation, focusing on the introduction of key tax policy and administration measures, including the introduction of a VAT and excises during the first half of 2018 and further rationalization of recurrent expenditures.”

In regard to Saudi Arabia, the IMF commended efforts to enhance non-oil revenue, and emphasised “the importance of establishing an effective and efficient tax system. They noted the recent implementation of excises on tobacco and carbonated/energy drinks, and welcomed the authorities’ commitment to introduce the VAT at the beginning of 2018...”, although the kingdom’s timetable was seen by some Directors as challenging. Directors recommended keeping VAT exemptions to a minimum, and welcomed Saudi plans for further energy price reforms whilst emphasizing such reforms should be equitable and gradual. In addition, they welcomed “recent improvement in the fiscal framework and fiscal transparency... They supported the planned public expenditure review, and emphasized the importance of gradually reducing the wage bill, strengthening social safety nets, and continuing to improve the efficiency of capital spending.”

In the case of the UAE, the IMF did not anticipate the 2018 VAT implementation having “a significant adverse impact on growth... Complementing recent significant subsidy reforms, a timely introduction of the VAT and excises would be another major achievement, to diversify revenues away from oil. In tandem, continual efforts to contain growth of public spending and improve its efficiency are needed to generate the necessary fiscal savings while continuing to use public investment to diversify the economy and expand its productive capacity...”

In May 2017, the GCC’s Unified Selective Excise Tax and Unified Value Added Tax agreements came into effect following ratification by the UAE, the second state to formally approve them. In June, the price of a pack of cigarettes in Saudi Arabia doubled following the implementation of selective taxes in the kingdom, and the price of soft drinks rose by 50%. Two months later the UAE President issued a decree stating that collection of VAT in the federation would begin in January 2018. According to the official news agency, the 5% tax would be “imposed on the import and supply of goods and services at each stage of production and distribution, including what is deemed to be a supply.” In October, UAE excise duties doubled the price of tobacco and increased soft drink prices by 50%.

In Kuwait although the government favoured implementing VAT and other taxes, the emirate’s parliament rejected both measures. The Ministry of Finance declared that, in accordance with Kuwaiti constitutional procedure, the implementation of VAT was “in the hand of the Parliament.” One Kuwaiti MP argued

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30 International Monetary Fund “IMF Team Completes a Staff Visit to Qatar”, 30 August 2017, Press Release No. 17/334, Washington D.C.
34 “Price of Saudi cigarettes doubles as first tax hits”, Agence France-Presse, 11 June 2017.
36 “Gulf states say goodbye to tax-free reputation”, Agence France-Presse, 1 October 2017.
taxation in the emirate should form part of a comprehensive economic reform programme culminating in taxation rather than beginning with it. Despite a GCC-wide commitment to introduce VAT by 2018, local media anticipated the Kuwait Ministry of Finance would announce a one or two year delay. In Fitch’s October 2017 assessment, despite maintaining Kuwait’s ‘AA’ credit rating, it anticipated slow progress regarding “comprehensive measures such as a new public sector wage law, privatisation and VAT and excise law. This is due to strong political opposition in a fractious parliament and due to capacity constraints in the parliament and in the public sector. In particular, we do not factor in VAT or excise revenue into our forecasts.”

In Oman, whilst highlighting the financial benefits of VAT to the Sultanate of up to $1.1 billion per annum, local media also noted many businesses being unprepared for its 2018 implementation. Despite similar reports of unpreparedness in the UAE, the federation was commended for its proactive approach to VAT implementation - with seminars, training, and internet information programmes ahead of the planned launch. Amid the dispute between Qatar and three of its neighbours, the emirate retained its commitment to implementing VAT although, at least in the first instance, one based on domestic rather than regional implementation. An August 2017 KPMG report stressed that, despite the absence of published Qatari VAT legislation, companies should still prepare for its arrival.

In February 2017, Bahraini ministers stressed VAT would not be an income tax but rather a 5% duty on goods and services, within which more than 90 basic food commodities, medicines, and medical supplies would be exempted. People on low or middle incomes would be unaffected, and awareness programmes were scheduled to inform the public regarding exempted items. As with Kuwait, the Bahraini Finance Minister emphasised the need for parliamentary

37 “Govt unlikely to issue decree of necessity to impose taxes – VAT in hands of Parliament”, Arab Times, Kuwait, 12 August 2017; Muna Al Fuzai “Muna Al-Fuzai Column”, Kuwait Times, Kuwait, 30 September 2017.
40 Alice Haine “‘Don’t stress about VAT in the UAE – it’s not complicated at all’”, The National, Abu Dhabi, 30 September 2017. This article contains an interview with Dinesh Kanabar, an India-based tax consultant, formerly deputy CEO of KPMG India, and adviser to India’s Prime Minister on the country’s Goods and Services Tax.
41 “VAT compliance must be a top priority for businesses in Qatar, says KPMG report”, Qatar Tribune, Doha, 22 August 2017.
approval to implement VAT amid expectations that, even after its assent, the island kingdom would not be ready by the 2018 launch date.\textsuperscript{43}

Public perceptions of and reactions to taxation policies were clearly of concern to GCC leaders. A 2016 survey in Qatar revealed nationals in the emirate were less concerned about paying taxes than losing access to free education, health services, and utilities. Expatriate respondents differed over their willingness to remain under a 5% VAT regime, with 28% of Westerners questioned stating that such a level would make them more likely to leave Qatar. Conversely, 18% of respondents from Asian countries held the same views, and only 5% of Arab expatriates. With a 10% VAT level, all respondent expatriates were more inclined to leave but particularly Western workers. The survey authors concluded Qatari responses may have been attributable to lack of prior knowledge and/or experience but their findings showed there was, “...no visceral reaction against the prospect of taxation among citizens.” Expatriate responses raised questions “about the state’s ability to retain high-skill workers from the West, South Asia, and East Asia,” but there was limited evidence of an impact on Arab expatriates.\textsuperscript{44}

Transposing such findings from one GCC state to others could be problematic due to varying local conditions. In the case of local responses to the survey, as citizens of the GCC’s most affluent state per capita Qataris’ answers could also have been influenced by what has been termed “tax morale”, that is “the intrinsic willingness to pay taxes based on the legitimacy of the state.”\textsuperscript{45} Expatriate responses could potentially be regionally applicable though still subject to differing economic conditions in individual GCC states. In addition, plans to increase employment opportunities for nationals in member states could, subject to the provision of requisite standards of education and training, be advanced by gradually reducing expatriate worker numbers. However, as in Saudi Arabia in 1988 when a foreign worker income tax was proposed, sudden large-scale losses of expatriate workers could be detrimental to states’ overall economic structures.\textsuperscript{46} Expatriate respondents’ reactions in Qatar to the prospect of a 10% VAT rate, a level recommended by the IMF as eventually preferable,\textsuperscript{47} indicate the 5% of

Table 1 – GCC Countries’ Taxation Revenues as % of Non-oil GDP.

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<thead>
<tr>
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<th>Corporate Income Tax</th>
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<th>Other Taxes</th>
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<td>Bahrain</td>
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<td>Kuwait</td>
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<td>Oman</td>
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<td>Qatar</td>
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<tr>
<td>Saudi Arabia</td>
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<tr>
<td>UAE</td>
<td>0.8</td>
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\textsuperscript{44} Michael Ewers, Glnar Eskander, Bethany Shockley “Public Acceptance of Taxation in Qatar”, \textit{SESRI Policy Brief}, 2016, No.4, The Social & Economic Survey Research Institute, Qatar University.

\textsuperscript{45} Everest-Philips op.cit. p.77.

\textsuperscript{46} Harrison op.cit. pp.2-3.

\textsuperscript{47} International Monetary Fund “Diversifying Government Revenue In...
initial rate should be given time before states consider increases.

Concerns regarding VAT’s post-launch inflationary effects were again raised, as they were in the years up to 2010. Following the scheduled 2018 commencement, the UAE’s inflation rate was projected to rise from 2% in 2017 to 4% in 2018, and Saudi Arabia’s 2017 rate of -0.4% to rise to as much as 4.5%. In 2016, the IMF reported that a 2011 simulation conducted for Kuwait using a 5% VAT rate estimated inflation in the emirate would be temporary and would not exceed 3.5 - 4% following its introduction. Exempting certain goods and services would also help reduce inflationary consequences. The IMF report added: “While there may be some attempts by traders to use the introduction of the VAT to widen margins and a need for competition regulators to monitor market behaviour carefully, cross country evidence shows that the introduction of the VAT generally has only a one-off effect on inflation.”

GCC states have committed themselves to the implementation of VAT in 2018 on the understanding that some states will not be ready and therefore given more time. Since 2010, members have not only publicly committed themselves to taxation but are either about to enact it or have already done so with revenues making varying GDP contributions. For example, from IMF staff estimates using data from 2014 and 2015, Table 1 shows Oman had the highest level of tax revenue as a percentage on non-oil GDP, and Bahrain had the lowest.

The 2014 collapse in oil prices was undoubtedly a major catalyst in pushing states to implement economic reforms and, via taxation policies, to take what were for some controversial steps. However, the aftermath of the Arab Spring has helped reshape perceptions of the relationship between state and citizenry within which taxation also plays a part. As importantly, changes in several member states’ uppermost ruling circles – in compositional terms and generational outlook - have brought to the fore new and sometimes competing visions for the future, not just for individual states but the wider GCC project. Such top-down policy changes must convince not only political and economic elites but also the wider citizenry. Enacting substantive economic reform without some political change therefore, though sometimes a preferred option, presents a significant challenge. It is also arguable that economic reforms outlined in member states’ long-term plans may “foster tensions among the people most affected and herald considerable medium-term turmoil, albeit to different degrees…” GCC states will therefore have to implement reforms at their own pace and subject to their own

The GCC: Next Steps, op.cit. p.25.
48 Harrison op.cit. p.10.
49 “Gulf states say goodbye to tax-free reputation”, op.cit. UAE projections were provided by Faisal Durraei, head of research at Cluttons Dubai, and Saudi Arabia’s by Capital Economics.
50 International Monetary Fund “Diversifying Government Revenue In The GCC: Next Steps”, op.cit. p.17.

51 Ulrichsen op.cit., p.15.
52 See for example, Jane Kinninmont “Vision 2030 and Saudi Arabia’s social contract: Austerity and Transformation”, 2017, Chatham House Research Paper, Royal Institute of International Affairs, London, p.42. Kinninmont concludes: “Vision 2030 apparently seeks a rapid implementation of economic reforms that could have been instituted much more effectively over a longer timescale, but which have hitherto been deferred for years because they did not seem urgent and because they were presumed to have costs for political stability.”
53 A 2016 commentary noted Saudi Crown Prince Mohammed bin Salman’s focus on reforming the kingdom’s economy bore strong resemblance to that of his uncle nearly twenty years earlier, who was also heir to the throne at the time. In 1998, Crown Prince Abdullah told fellow GCC leaders: “The GCC governments and peoples should realize that the boom period is over. We must all get used to a certain lifestyle that does not rely entirely on the state…The upcoming period needs the private sectors to assume responsibility which has up until now been carried by the state.” See John Kemp “Saudi reform efforts wax and wane with oil revenues”, Reuters, 9 February 2016.
political environments. As credit ratings agency Standard and Poor’s has noted: “the challenges to economic diversification remain substantial and GCC governments’ 20- and 30- year visions are aspirational, with significant progress to be made if they are to be achieved.”

The ongoing dispute between Qatar, Bahrain, Saudi Arabia, and the UAE has affected not only the Qatari economy, but potentially risks damaging the GCC more generally. In September 2017, Moody’s Investor Service noted: “The severity of the diplomatic dispute between Gulf countries is unprecedented, which magnifies the uncertainty over the ultimate economic, fiscal and social impact on the GCC as a whole,” whilst in October, the US State Department noted “an erosion of trust between the Gulf leaders” in a dispute that “does not get any better with the passage of time.”

Previous pan-regional economic initiatives and present regional conditions suggest that, at least in the short term, harmonisation of taxation policies could be problematic. As Bird and Bahl note: “There is no silver bullet for tax policy problems in developing countries.” Therefore, as with more general economic reform measures states may need to work out their tax policies separately before doing so collectively. The willingness of GCC leaders to publicly coordinate taxation policy with international bodies such as the IMF, on the one hand indicates a need to provide external legitimacy for an internally controversial programme. On the other, it highlights an increased linkage between future internal and regional economic development and that of the wider world. The balance eventually struck between the two will however remain subject to primarily domestic and regional factors. Max Everest-Phillips notes:

“An effective state requires a political settlement among elites to collect revenues. That agreement then enables a social contract between the state and its population to pay taxes in return for delivering basic freedoms and essential public goods. The bilateral donor agencies and international financial institutions recognize tax as one of the core capabilities that any state needs to function, and that the more effective the tax system, the stronger its role in developing the capability, prosperity and legitimacy of the state... The ‘fiscal social contract’ is a key factor in delivering both political legitimacy and sustainable economic growth; a stable, transparent system is perceived by investors as a sign of established ‘rule of law’. In other words, tax is a key indicator of an institutionalised framework of political stability and fairness.”

The international accounting firm Deloitte described VAT’s implementation in the GCC states from 2018 as “the start of some of the most exciting, dramatic and far-reaching socio-economic changes in the region since the discovery of oil.” However, a more cautious locally-based position toward VAT was taken by Kuwaiti economist, Jassem Al Saadun: “People must be convinced that there is social justice, that raised funds will be used for development projects and that corruption is checked.”

57 See for example, Simeon Kerr “Gulf business counts cost of Arab states’ Qatar embargo”, Financial Times, London, 20 July 2017. In June 2017 Standard & Poor’s lowered Qatar’s credit rating stating that the dispute, “will exacerbate Qatar’s external vulnerabilities and could put pressure on economic growth and fiscal” stability. See “S&P lowers Qatar’s credit rating over dispute”, The Associated Press, 7 June 2017.
58 “Regional dispute over Qatar hurting all: Moody’s”, Agence France-Presse, 13 September 2017. See also Andrew England “Qatar dispute risks survival of the Arab world’s only trade bloc”, Financial Times, London, 27 June 2017.
60 One recent example would include efforts to introduce a single GCC currency which, to date, Oman and the UAE have not joined.
61 Bahl and Bird op.cit., p.296.
63 “Gulf states say goodbye to tax-free reputation”, op.cit.
an issue interlinking the wider international political and economic environment with local state-making and state legitimacy, the development and potential expansion of taxation in the GCC states will be a significant barometer for the region’s future.

The ‘fiscal social contract’ is a key factor in delivering both political legitimacy and sustainable economic growth; a stable, transparent system is perceived by investors as a sign of established ‘rule of law’. In other words, tax is a key indicator of an institutionalised framework of political stability and fairness.

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