# SOVEREIGN
# REVIEW OF 2023

SOVEREIGN™

SovereignGroup.com

CORPORATE SERVICES – PRIVATE CLIENT SERVICES – RETIREMENT PLANNING

# CONTENTS

3 | **FROM THE CHAIRMAN** – by Howard Bilton

## NEWS AND VIEWS FROM OUR OFFICES

**AFRICA**

4 | Mauritius consolidates role as the IFC of choice for cross-border investments

5 | Offshore diversification is key to surviving South Africa

**ASIA**

6 | Hong Kong

8 | Singapore remains a magnet for investors in Southeast Asia

**EUROPE**

9 | Cyprus continues to attract significant investments

10 | UK is 'confident' that a Gibraltar treaty with the EU is achievable

12 | Countdown is on to Secondary Pensions in Guernsey

13 | Isle of Man amends trusts law for modern trust structuring and administration

14 | Malta boosts skilled workforce as economy grows fastest in Europe

16 | The NHR scheme has closed, but the Golden Visa rolls on

17 | Stay or go? Decision time for UK non-doms as election approaches

**MIDDLE EAST**

19 | Bahrain continues to attract investment projects

20 | Qatar: the economy of the future

21 | Saudi's National Investment Strategy to propel growth and diversification

23 | UAE's predicted growth prospects for 2024 improve

28 | **THE SOVEREIGN ART FOUNDATION**

29 | **CONTACT AND INFORMATION**

**®Sovereign Media (IOM) Limited 2024**
All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the Sovereign Group. The information provided in this report does not constitute advice and no responsibility will be accepted for any loss occasioned directly or indirectly as a result of persons acting, or refraining from acting, wholly or partially in reliance upon it.

Editor Christopher Owen
Design Joanne Bae

Howard Bilton
Chairman
The Sovereign Group

Kung Hei Fat Choi. We are about to enter the Chinese New Year and it's the year of the Dragon. This time round it's a Wood Dragon and so the year is forecast to bring about opportunities, changes and challenges. Which year isn't? The year will start on 10th February and end on 28th January 2025.

People born in Dragon years are generally thought to possess natural courage, tenacity, and intelligence, often displaying enthusiasm and confidence. But those born in a year of the Wood Dragon are said to be introverted, less enthusiastic and lacking in good relationships. That doesn't sound quite so encouraging.

Here at Sovereign, we have had an interesting 2023. We have finally managed to leave the legacy of Covid behind and, amongst other things, The Sovereign Art Foundation has been able to return to a full agenda of activities.

We are about to complete the 20th edition of our Asian Art Prize which will culminate in our usual grand fund raising dinner, at the Four Seasons, Hong Kong on 17th May. All are invited. We will also be opening our exhibition of our African art prize finalist at the Norval Foundation in Cape Town on 13 February and we have just completed the second edition of our Portuguese art prize.

Last year we launched a new students art prize in Chester to complement the opening of our new office there. We will also shortly be launching a new schools prize in Cyprus. We now have 13 student prizes attached to our offices in Cyprus, Chester, Gibraltar, Guernsey, Isle of Man, London, Malta, Portugal, Hong Kong, Singapore, Bahrain and Mauritius.

The total raised through the art prizes and other SAF initiatives now exceeds US$11 million. We have used that money to transform the lives of many thousands of disadvantaged children. Anyone who would like to contribute would be most welcome. This can be done via the website. See www.SovereignArtFoundation.com

We continue to see increased scrutiny of transactions and clients by supranational organisations, banks and everybody else. Any business that is done through the International Financial Centres in which we operate seems to attract a far higher level of due diligence than is required onshore. This penalises IFCs and no doubt that is part of the purpose. It may be more inconvenient and costly, both for our clients and ourselves, but the benefits of properly structured transactions being routed through IFCs remain. And with the correct advice and implementation those advantages can still be substantial.

This year we are launching a major drive on efficiency and service transition which follows on from the wide-ranging customer service review that we conducted in the second half of 2023. My thanks to all those who contributed invaluable feedback. We recognise the necessity of continuously striving to improve and we are now initiating systems to achieve just that.

This drive will be headed up by our new COO - Brian McPhail. Welcome to him. We hope our customer service is already best of breed but we do not intend to sit on our laurels. Rest assured will be working hard to ensure that our staff and our systems are equipped to deliver an even better and more seamless customer experience.

Sovereign has now been in business for 35 years and from humble beginnings we now employ over 600 people in 20 jurisdictions. It is an achievement only made possible through the hard work and dedication of all our staff, both past and present, and is a source of great pride. We held a few low-key celebrations to mark this anniversary but, given the bleak state of world affairs, it did not seem the right time for anything larger.

Lastly, it would be remiss of us not to express our deepest sympathies for anybody who has been adversely affected by conflict around the world and in particular by the Russia/Ukraine and Israel/Hamas situations. We are actively looking at programmes that can assist children affected by these terrible conflicts.

We wish you all a prosperous and happy new year of the Dragon. ▪

AFRICA

Mauritius

# Mauritius consolidates role as the IFC of choice for cross-border investments

Mauritius was amongst the 20 fastest growing economies in the world in 2022 with GDP growing at 8.7%, its fastest pace in over 35 years, according to the IMF's World Economic Outlook. While the world economy has since slowed, the IMF forecast that the Mauritian economy will continue to grow at a healthy 3.8% over 2024.

Mauritius is a small island state off the southeast coast of Africa with a population of 1.3 million and few natural resources but, despite its location and size, the Mauritius economy had shown tremendous growth over the last few decades, transforming into an upper-middle-income economy with GDP per capita now exceeding USD10,000.

The main reasons are its business-friendly policies, stable political environment and low tax rates, which made it attractive for businesses to establish on the island. Mauritius had implemented a prudent development plan that was backed by political stability, solid institutional frameworks, and low levels of corruption.

"Mauritius is truly a welcoming place to do business and live", said Richard Neal, Managing Director of Sovereign Trust (Mauritius) Ltd. "Having first-hand experience of immigrating to Mauritius in March 2022, I can vouch for the gracious hospitality, friendly business environment and proactive state institutions."

The government had reduced taxes to a maximum of 15% for individuals and companies and, in some instances, effective tax rates as low as 3% were possible. There were also no capital gains taxes, no dividend taxes, no donation duties, and no exchange controls in Mauritius.

With no foreign exchange controls, a robust banking system and a bilingual workforce in English and French, Mauritius has an edge to offer international investors looking at Africa. In 2019, Mauritius signed the African Continental Free Trade Area agreement along with trade agreements with China and India.

But as well as investment flows into the African market, Mauritius is also fast becoming the leading trade finance hub for intra-African trade. This will consolidate Mauritius as an international financial centre (IFC) of choice for cross-border investments. By 2030, the Mauritian government aims to double the size of its financial sector and increase the IFC's contribution to its gross domestic product to USD1.9 billion from USD1 billion in 2018.

To further consolidate the position of the IFC, last year's Budget included proposals to extend the scope of the Variable Capital Companies to allow their use for family offices and wealth management, introduce a new framework to support the licensing and operation of Electronic Money Institutions (EMIs), introduce a Wealth Manager and Family Officer licence under Private Banking, and increase the promotion and marketing budget of the Economic Development Board by MUR100 million.

It is also not surprising then that an increasing number of financial services firms have been shifting their back-office operations to subsidiary companies set up in Mauritius. So many in fact that the government of Mauritius is now seeking to supervise this activity, which previously fell into an unregulated area.

The Financial Services (Global Shared Services) Rules 2022 were issued last January to ensure that any company in Mauritius providing 'global shared services' to a related entity that is providing financial services outside Mauritius is effectively licensed and regulated in Mauritius. Global Shared Services include activities like record keeping, invoicing, tax support, debt collection and data capture and reporting.

Under the Global Shared Services Licence, 'financial services' are defined as: "any financial services or financial business activities governed by relevant Acts in Mauritius, or similar services or business activities which are regulated outside of Mauritius". The Rules will give overseas regulators comfort that those services being performed in Mauritius for entities under their supervision are being formally monitored and controlled.

Real estate activities accounted for more than half the estimated MUR27.7 billion foreign direct investment into Mauritius during 2022, and more than three-quarters of this total were directed into Real Estate Schemes governed by the Mauritius Economic

Development Board (EDB) – the Property Development Scheme, the Smart City Scheme and the Invest Hotel Scheme.

In terms of foreign direct investment flows in Mauritius by geographical origin, South Africa was the second largest source of funds accounting for MUR3.1 billion in 2022, behind only France with MUR5.4 billion, and ahead of the United Arab Emirates with MUR2.2 billion and the UK with MUR1.3 billion.

The Property Development Scheme (PDS), which has replaced the Integrated Resort Schemes (IRS) and Real Estate Schemes (RES), allows the development of a mix of residences for sale to non-citizens. The EDB maintains a list of approved developments.

A foreign investor is eligible for a Residence Permit upon the purchase of a qualifying residential property under the PDS scheme valued at more than USD375,000. Holders are entitled to residency in Mauritius for as long as the property is owned and are exempt from the requirement to obtain an Occupation or Work Permit to invest and work in Mauritius. Dependants, comprising the spouse, common law partner of the opposite sex, children and parents are also eligible for a permanent residence permit.

The 'Smart City Scheme', which was introduced to encourage the development of mixed-use developments in conurbations with smart technology and pioneering innovations, has also been amended. The threshold for investment has been reduced from USD500,000 to USD375,000 to qualify for a Residency Permit. The EBD maintains a list of approved developments.

It was further announced in last year's Budget that the restrictions governing property acquisition by non-citizens outside the PDS and Smart City schemes were to be relaxed. Foreign nationals who are the main holder of a Residence Permit or Occupation Permit are now permitted to purchase a single residential property in Mauritius outside the pre-established schemes provided that the price of the property exceeds USD500,000 and the area does not exceed 1.25 acres. The transaction will be subject to the payment of an additional registration duty of 10%.

Residence permits will also be granted to retired non-citizens and their family on the acquisition of a property in a PDS project relating to senior living provided that the acquisition price exceeds USD200,000 and the non-citizen is aged over 50. The status of resident will remain valid for as long as the buyer holds the property.

The government also announced the introduction of a new 'Sustainable City Scheme', in addition to the Smart City Scheme, where it is expected that there will be new regulations with more sustainability requirements. Non-citizens will be able to acquire a residential property in a sustainable city and be eligible for a residence permit for a minimum acquisition price of USD375,000.

For foreign nationals who do not have USD375,000 to invest, Mauritius offers a number of alternative residency routes via a range of Occupation Permits – Investor, Professional or Self-Employed – while retired non-citizens over 50 years in age can apply for an initial ten-year Residency Permit provided they have a pension or investment income from outside Mauritius of USD1,500 a month or USD18,000 per year that is paid into a Mauritian bank account.

Mauritius offers several benefits to foreigners considering relocation. Despite being an island in the middle of the Indian Ocean, Mauritius also offers a high standard of living, a modern infrastructure, and is only a four-hour flight from South Africa.■

# Offshore diversification is key to surviving South Africa

2023 was another tough year for South Africa. Africa's most industrialised nation had the worst power outages on record, with rolling blackouts leaving households and businesses without power for up to 10 hours a day. In October, the World Bank approved a USD1 billion loan to South Africa to help tackle the ongoing power crisis.

South Africa also saw reduced foreign direct investment inflows of ZAR26 billion (USD1.40 billion) in the third quarter of 2023, from ZAR53.8 billion. The South African Reserve Bank said the inflows were largely due to non-resident parent entities granting loans and increasing their equity stakes in domestic subsidiaries over the period.

South Africans have more than quadrupled their holdings in foreign assets over the last decade –from ZAR2.5 trillion to ZAR10.5 trillion – and South Africa is now one of the few emerging markets with a net positive investment position, where South Africans own more investments abroad than foreigners own in South Africa.

This may be an indictment on the state of the local economy, but it has also given the country a degree of resilience to local crises. South Africans have exposure to foreign markets both locally and directly abroad. Investments into foreign multinationals give access to globally diversified businesses, while South Africa's regulations allow pension funds to hold up to 45% in international assets.

Overseas diversification enables South Africans to obtain income that they spend domestically; it also allows them to preserve capital, which may be used to invest in South Africa when the potential returns justify it. Offshore investments further provide a solid platform for any South Africans who are or may be

considering emigration, whilst offering far greater flexibility and efficiency for estate or succession planning purposes.

Currently, South African individuals can transfer up to ZAR11 million (c. USD600,000) per taxpayer per year offshore. This is a combination of the annual single discretionary allowance (SDA) of ZAR1 million, and the annual foreign investment allowance (FIA) of ZAR10 million (or ZAR20 million between spouses). However, any sums over the ZAR1 million single discretionary allowance are now required to obtain an 'Approval for International Transfer' (AIT) from the South African Revenue Service (SARS).

Unlike the previous Tax Compliance Status (TCS) form, which required taxpayers to disclose their local assets and liabilities for the previous three years, the new AIT also requires taxpayers to disclose their foreign assets and liabilities to SARS, as well as to provide information as to the source of the funds that were used to acquire all assets.

"This new process will require a lot more effort on the part of applicants to put a request together for an AIT," said Coreen van der Merwe, Director of Sovereign Trust (SA) Ltd. "Sufficient time will need to be allowed for the collation of information, as well as the processing of the request. Frustration is to be expected. This is probably just the beginning of government efforts to slow down or prevent the continued offshoring of capital from South Africa."

Similarly, South Africans are also facing a slew of new rules and disclosure requirements as the government attempts to address the deficiencies in South Africa's regulatory framework that were identified by the Financial Action Task Force (FATF), the global anti-money laundering watchdog. Last year in February, South Africa was placed on the FATF's list of 'Jurisdictions under Increased Monitoring' – known as the 'grey list'.

In April, the Companies & Intellectual Property Commission (CIPC) set up a beneficial ownership register for persons who own or exercise control over legal entities, which applies to anyone with more than a 5% beneficial ownership (BO) of a company or close corporation. The government also amended the Trust Property Control Act by obliging trustees to file and keep records of the BOs of trusts to include founders, trustees, named beneficiaries and any individuals who exercise effective control of any trust.

The Tax Administration Laws Amendment (TALA) Bill, which was tabled in parliament in November 2023, makes changes to the definition of 'beneficial owner' of a company, trust and partnership to include a person who 'directly or indirectly, ultimately owns, or exercises effective control'. The government said BO information was essential for tax administration because it helped to ensure transparency and accountability in financial transactions.

When in force, the TALA Bill will also require non-resident employers with a permanent establishment (PE) in South Africa, to register as an employer with SARS and deduct PAYE tax from remuneration paid to qualifying employees, as well as paying skills development levies (SDL) and unemployment insurance fund (UIF) contributions.

Non-resident employers without a PE in South Africa will not be required to withhold PAYE. However, if a non-resident employer without a PE in South Africa has a representative employer in South Africa – any agent who resides in South Africa and has the authority to pay remuneration – the obligation to withhold PAYE will fall on the representative employer. ■

ASIA

# Hong Kong

As the primary nexus for financial flows between China and the global economy, the Hong Kong SAR remains one of the world's most important international financial centres despite the difficulties created by the extended Covid quarantine requirements that starved it of visitors for so long.

2023 saw the government set about reviving Hong Kong's economy through a focus on developing a vibrant 'headquarters economy', attracting mainland and foreign talent, retaining the competitiveness of the city against its Asian competitors, and initiating large infrastructure investment projects.

In his Policy Address in October, Hong Kong Chief Executive John Lee outlined a number of key business-related measures to attract strategic enterprises and quality talents by:

- Developing a 'headquarters economy' to attract enterprises from outside Hong Kong to set up headquarters or corporate divisions in Hong Kong and exploring feasible measures to facilitate Chinese Mainland enterprises to establish in Hong Kong.
- Encouraging companies to re-domicile to the Hong Kong SAR by introducing a re-domiciliation regime under which a company incorporated outside Hong Kong could apply to change its place of incorporation to Hong Kong while maintaining its legal identity as a corporate body, subject to certain conditions. The legislative proposals are due to be introduced in the first half of 2024.
- Expanding the coverage of universities under the Top Talent Pass Scheme by adding eight leading institutions from the Chinese Mainland and overseas to the list of eligible universities.

- Launching a Capital Investment Entrant Scheme to allow eligible investors who make investments of HKD30 million (c. USD3.85 million) or more in assets, excluding real estate, to apply for entry into Hong Kong. Further details are to be announced before the end of 2023.
- Establishing a physical office for Hong Kong Talent Engage to formulate talent recruitment strategies and provide support for incoming talents.
- Introduce a Multiple-entry Visa to the Mainland for foreigners working in companies registered in Hong Kong.
- Establish a 'Vocational Professionals Admission Scheme' to enable eligible participants to stay in Hong Kong for one year after graduation to seek jobs.

Also in October, the Hong Kong government gazetted the Inland Revenue (Amendment) (Taxation on Foreign-sourced Disposal Gains) Bill 2023, which further refines Hong Kong's foreign-sourced income exemption (FSIE) in line with the latest requirements of the EU's Guidance on FSIE regimes.

Under the refined FSIE Regime, the scope of property in relation to foreign-sourced disposal gains will be expanded to cover all types of property. A new intra-group relief will also be introduced for property transfers between associated entities, subject to specific anti-abuse rules, in addition to the existing exception requirements on disposal gains.

The legislation was to be implemented effectively from 1 January 2024, which should ensure Hong Kong's removal from the EU's Annex II of non-cooperative jurisdictions for tax purposes. Hong Kong was kept on the EU 'grey list' when it was reviewed last February, pending completion of the necessary legislative amendments.

In September, Hong Kong's Commerce & Economic Development Bureau issued a consultation paper on the 'Introduction of a Patent Box Tax Initiative in Hong Kong', which set out proposals for a concessionary tax regime for Hong Kong-sourced intellectual property (IP) income to encourage businesses in Hong Kong to engage in more research and development (R&D) and IP trading activities.

The consultation paper proposes that the scope of eligible IP assets will include:

- Patents and other IP assets that hold functional equivalence to patents – they must be protected by law and subject to comparable registration and approval procedures.
- Copyrighted software.
- Plant variety rights (which give plant breeders exclusive rights to produce, sell, import and export new, protected varieties).

The preferential tax rate for the patent box regime is still under consideration. A concessionary tax rate of 8.25% applies under the majority of the various preferential tax regimes currently available in Hong Kong SAR, but the government said it would also consider preferential tax rates available under competing patent box regimes in other jurisdictions.

Hong Kong is currently brimming with infrastructure projects. The Northern Metropolis Development Strategy is a development of 30,000 hectares of land in the northern part of the New Territories, which includes five new and extended railway lines including cross-boundary projects, connecting the Northern Metropolis with other areas in Hong Kong and mainland China.

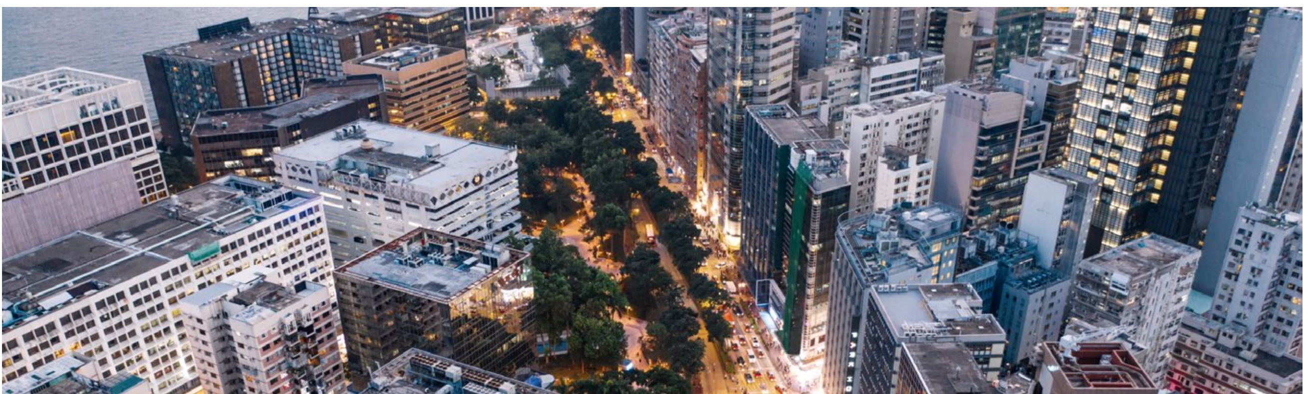
The aim is to drive Hong Kong's economic growth through cooperation and integration with the Greater Bay Area (GBA). In the 2022-23 Budget, the government allocated HKD100 billion to expedite the implementation of infrastructure works relating to land, housing and transportation within the Northern Metropolis.

Another megaproject, the Lantau Tomorrow Vision (LTV) is the phased formation of artificial islands around Kau Yi Chau and Hei Ling Chau in the waters east of Lantau Island. This land reclamation will be accompanied by new strategic road and railway networks to link it with Hong Kong Island, Lantau, and the coastal areas of Tuen Mun. It is expected to cost USD80 billion and includes the development of 1,700 hectares of artificial islands with 260,000 to 400,000 housing units.

Alan Fong, Managing Director of Sovereign Trust (Hong Kong) Limited commented, "As we approach the Chinese New Year (10 Feb 2024) and enter into the Year of the Dragon, there are expectations that Hong Kong's economy will continue to thrive and build on the efforts made by the Government in the past year. The dragon is the ultimate symbol of power, fortune and prosperity in Chinese culture, and for many, this year will be special and auspicious. Besides the economy, Hong Kong sees the return of large-scale events covering sports and cultural arts that includes the Rugby Sevens and Art Basel, which will help to increase the number of visitors to Hong Kong and bring a welcome boost to the tourism industry".

The highlight for me during the past year was being able to meet clients and business partners in person; discussing exciting projects and exploring the many opportunities that exist in not only Hong Kong or China, but Asia in general.

In summary, Hong Kong is a unique city, which brings a blend of Chinese and Western cultures and it remains key, both as an international finance centre and as the gateway to China. There are evident signs of recovery with renewed optimism and vigour as the Hong Kong economy bounces back with the support of the Government and international community. These are exciting times and I am enthusiastic and upbeat about what lies ahead! ■



# Singapore remains a magnet for investors in Southeast Asia

Singapore's strategic location at the crossroads of global trade routes, combined with investor-friendly policies, a predictable and transparent regulatory landscape, and a large, mature financial sector has made the island state a magnet for investors.

According to the most recent economic forecasts by the International Monetary Fund, "emerging and developing Asia" is projected to grow by 5.2% in 2023 and by 4.8% in 2024 – far ahead of the global estimates of 3% and 2.9% respectively.

Singapore's lively tech and fintech sectors continue to deliver steady flows of M&A activity in Southeast Asia, with the technology, media and telecommunications (TMT) industry providing more deal volume and value than any other sector in the country in the past five years.

In November, the eighth edition of the Singapore FinTech Festival (SFF) drew a record 66,000 participants and extended its global reach with participants hailing from 150 countries and regions, an increase from the 115 countries represented in 2022.

Singapore relies on foreign investment and the global market to develop its economy. The government continues to encourage FDI through incentives granted by the Economic Development Board of Singapore (EDB) and through an investor-friendly tax regime that support the business community, from start-ups to mature companies looking into expansion plans to multinationals moving their businesses or headquarters to Singapore.

Singapore's ability to develop local talent and attract foreign talent is vital to maintaining its competitiveness and resilience. The new Overseas Network & Expertise Pass – known as the Singapore 'ONE Pass' – enables Singapore to compete in the intensifying race for global talent and is part of Singapore's efforts to develop its industries and workforce.

Introduced on 1 January 2023, the 'ONE Pass' is a work pass for top talent across all sectors that is notable for its unprecedented validity period of up to five years, its status as a 'renewable personalised pass' and its two distinct eligibility criteria – salary or outstanding achievement.

As a personalised pass, the ONE Pass offers great flexibility because it is tied to the individual holder rather than a particular employment in Singapore. A ONE Pass holder is permitted to start, operate, or work for multiple companies concurrently, and is not required to reapply for a new pass if he or she changes jobs.

A Singapore employer is not required to apply for a work pass on behalf of a ONE Pass holder. ONE Pass holders are also excluded from Singapore's new points-based Complementarity Assessment (COMPASS) eligibility framework, while employers that wish to hire them are not subject to the Fair Consideration Framework job advertising requirement.

There are two different routes to apply for the Singapore ONE Pass: the 'salary criterion', which is fixed at a minimum fixed monthly salary of at least SGD30,000 (c. USD22,500); or the 'outstanding achievement' route, which covers top talent across all sectors, including business, arts and culture, sports, as well as academia and scientific research.

ONE Pass holders can relocate family members. A 'Dependant's Pass' for ONE Pass holders applies for legally married spouses and unmarried children under 21 years old, including those legally adopted. A five-year Long-Term Visit Pass is also available for common-law spouses, stepchildren or handicapped children, or parents of ONE Pass holders.

The holder's spouse, whether legally married or common-law, is permitted to work in Singapore on the issue of a Letter of Consent from the Ministry of Manpower. Other dependants will need to obtain a Work Pass to work for an employer in Singapore.

Singapore introduced a new points-based COMPASS framework system for Employment Pass (EP) applicants on 1 September, which will also apply to renewal applicants from 1 September 2024. The government hopes that the new system will improve

the capacity of Singaporean businesses to select high-quality foreign executives, managers or skilled professionals while ensuring workforce diversity.

According to the Ministry of Manpower (MOM), EP holders numbered 187,300 as of December 2022 – representing about 13% of Singapore's foreign workforce. Under COMPASS, each EP application is scored on four foundational criteria – salary, qualifications, diversity, and support for local employment. Applicants can also earn points from two additional bonus criteria – skills and strategic economic priorities. Applicants need 40 points and above to pass.

The minimum qualifying monthly salary for all sectors except financial services increases progressively from SGD5,000 at age 23 up to SGD10,500 at age 45 and above. For financial services, the minimum qualifying monthly salary rises from SGD5,500 at age 23 to up to SGD11,500 at age 45 and above.

The COMPASS Framework will give businesses greater clarity and certainty for manpower planning. It makes clear that Singapore welcomes complementary global talent, especially individuals with in-demand skills in key industries, and it allows companies to obtain EPs for candidates based on more attributes such as skills and national diversity.

Using the Self-Assessment Tool, companies can evaluate from the get-go whether their preferred applicant will qualify for an EP, and COMPASS recognises firms that have contributed to achieving Singapore's strategic economic priorities.

To further promote a more pro-business environment whilst upholding market confidence and safeguarding public interest, the government brought in the Companies, Business Trusts & Other Bodies (Miscellaneous Amendments) Act on 1 July.

The Act amends the Companies Act 1967 (CA) and other legislation to enable the conduct of virtual or hybrid meetings for companies, business trusts, variable capital companies and the Singapore Labour Foundation. Other amendments are to facilitate digitalisation, improve ease of doing business and strengthen the regulatory framework.

Finally, the Singapore parliament passed the Income Tax (Amendment) Act 2023 on 3 October to introduce a new Section 10L in the Income Tax Act 1947 (ITA), which aligns Singapore's treatment of gains from the sale of foreign assets to the EU Code of Conduct Group Guidance.

Section 10L amends Singapore's foreign source income exemption (FSIE) regime by taxing gains received in Singapore from the sale of foreign assets by businesses without economic substance in Singapore. Gains from the sale or disposal of any movable or immovable property situated outside Singapore (foreign assets) by a relevant entity that are received in Singapore from outside Singapore, on or after 1 January 2024, will be treated as income chargeable to tax.

Excluded entities are not required to carry on a trade, business or profession in Singapore but are required to maintain reasonable economic substance in Singapore and need to make sure that the operations of the entity are managed and performed in Singapore. Pure equity-holding entities (PEHEs), whose primary function is to hold shares or equity interests in other entities and have no other income than dividends or similar payments, are further excluded.

Taxpayers should review existing structures to assess the impact of the new Section 10L, particularly in respect of the nature of certain assets and the economic substance of relevant entities. ■

# Cyprus continues to attract significant investments

Cyprus has continued to attract significant investments in its priority sectors despite the demanding international environment. In 2022, the island posted a 129% increase in foreign direct investment, the largest increase in the EU, according to the Financial Times' FDI Financial Intelligence report.

Invest Cyprus reported in November that a large number of international companies, mainly in the field of technology, together with thousands of workers who have settled in Cyprus had created a growing ecosystem that already contributes directly and indirectly more than 10% to the country's GDP.

In the financial sector, and particularly in regulated services, the number and value of investment funds increased significantly, with over €10 billion under management, of which €3 billion had been invested in the Cypriot economy.

Invest Cyprus Chairman Evgenios Evgeniou said both the European Commission and the international rating agency Moody's had recognised the attraction of specialised companies as one of the factors that pushed the Cypriot economy to record growth rates above the EU average in 2022 and 2023.

The European Commission assessed that GDP growth in Cyprus would slow to 2.2% in 2023, down from the 5.1% recorded in 2022 during the strong post-COVID recovery. Domestic demand and tourism would continue their strong growth performance, but external demand for financial and business services was being negatively affected by global developments.

Growth is expected to continue on a moderate path in 2024 and 2025 at around 3%. This will mainly be driven by sizeable investments in the areas of energy, education, health and tourism.

Evgeniou noted that the strategy of Invest Cyprus was fully aligned with the priorities of the government's Vision 2035 action plan. The strategy focuses on three priority pillars. First, attracting highly specialised companies and talent in priority industries such as technology and tech-related companies, including research and innovation. Second, greenfield investments in renewable energy, digital infrastructure, healthcare, education and tourism. And third, the regulated financial services sector, with a focus on financial services, asset management, fintech and investment funds.

It aims to attract investments in sustainable projects, which contribute to the new development model and the sustainability of the country's economy, further develop Cyprus as a technological centre and create other ecosystems of highly specialised companies. and consolidate Cyprus as a business centre through the strategy of 'headquartering'.

The new strategy for attracting foreign companies and skilled talent to Cyprus, which was launched in 2022, focuses mainly

on high technology, shipping, pharmaceutical, innovation and research and development companies. It includes a series of new incentives concerning residency, taxation, and employment, through fast, simple and streamlined procedures.

The strategy created a new Business Facilitation Unit (BFU) to function as the main contact for all companies of international interest, either operating or wishing to operate in Cyprus, as well as for Cyprus companies in specific areas of economic activity, including the shipping, high-tech/innovation, pharmaceutical or biogenetics and biotechnology sectors.

Evgeniou said Cyprus was already one of the strong innovators in the EU. "It has seven of the 37 EU centres of excellence. It is among the first countries with an ecosystem that helps the development of start-ups. Our universities have a high and upward trajectory in international rankings," he said.

The policy for the issuance of temporary residence and work permits to third-country nationals was also revised for foreign companies operating in the designated sectors that have a physical presence in Cyprus. Residence and work permits for up to three years' duration will be issued within one month from the application date for employees with a minimum gross monthly salary of €2,500 and who have the required academic skills or at least two years of relevant experience.

Such companies can also employ third-country nationals as support staff, with gross monthly salary below €2,500, provided that the employment of third-country nationals does not exceed 30% of all support staff. The maximum number of third-country nationals is 70% of the total number of employees in a five-year period from the date of the inclusion of the company in the BFU.

Spouses of third country nationals who have obtained a residence and work permit in Cyprus, and who receive a minimum gross monthly salary of €2,500 or above will have immediate and free access to employment.

A new type of residence permit, the Digital Nomad visa, was also introduced for third-country nationals who are self-employed or employees who work remotely using information and communication technologies for employers or clients outside Cyprus, and can demonstrate income of at least €3,500 per month from abroad.

It gives holders the right to stay in Cyprus for up to one year, with the right to renew for another two years. Family members can also receive a residence permit of the same duration, but the monthly minimum income threshold increases by 20% for the spouse and 15% for any minor.

The existing 10-year personal income tax exemption of 50% for third-country nationals taking up employment in Cyprus with salaried income of €55,000 or more was expanded to 17 years.

The tax deductions for Research & Development (R&D) expenses were increased by 20%, such that eligible R&D expenses will be deducted from taxable income equal to 120% of the total.

Finally, the right to apply for naturalisation after seven years of residence and work in Cyprus was reduced to five years, or four years if the applicant holds a recognised certificate in the Greek language.

"Whether it is about choosing the right location to establish international or regional headquarters, relocate a company, setting up an office or expanding operations in Europe, Cyprus is increasingly gaining momentum as a prime contender in the minds of decision makers," said George Ayiomamitis, Managing Director of Sovereign Trust (Cyprus) Ltd ■

# UK is 'confident' that a Gibraltar treaty with the EU is achievable

UK Foreign Secretary David Cameron said he remained "confident that a treaty is achievable and can deliver for everyone in the region", in a statement issued after a meeting with Chief Minister Fabian Picardo in London on 29 January. It followed the latest round of UK-EU Gibraltar treaty negotiations in Brussels.

The Brexit arrangements agreed between the UK and EU on 24 December 2020 did not cover Gibraltar. Negotiations are instead being conducted on the basis of the New Year's Eve Agreement, a non-binding but essential pact agreed on 31 December 2020 for a framework to establish Gibraltar's future relationship with the EU.

A special committee was set up with a remit for the UK and Spain to negotiate Gibraltar–EU matters, which covers proposals for unrestricted mobility of persons between Gibraltar and the EU's Schengen area, unrestricted mobility of goods between Gibraltar and the EU, as well as agreement on matters related to the

environment, social security, citizens' rights, data and document recognition. This will require Gibraltar's full alignment with EU rules and regulations.

The European Council approved the mandate for negotiations to begin in October 2021, but negotiations had to be halted in 2023 due to elections in Spain and Gibraltar. They have now resumed but agreement must be concluded before the European parliament is dissolved for elections in June 2024. The forthcoming general election in the UK could also lead to further lengthy delays.

"Throughout negotiations the UK, with Gibraltar, has presented proposals to secure future prosperity for the whole region that maintain the balance of the Political Framework agreed with Spain in December 2020," the UK Foreign Office said.

Spanish Foreign Minister José Manuel Albares said: "Spain has presented a global, balanced and generous proposal to create a zone of shared prosperity between Gibraltar and the Campo de Gibraltar." He added that Spain was just waiting for a "response from the UK".

The Gibraltar government said: "The latest developments in relation to the UK-EU treaty were discussed during the meeting, as well as the contingency preparations for a non-negotiated outcome (NNO)."

Further good news came from the Financial Action Task Force (FATF), the global money laundering and terrorist financing watchdog, last October when it confirmed that Gibraltar had satisfied its action plan and was scheduled, subject to successful onsite inspection, to be removed from its 'grey list' of jurisdictions subject to increased monitoring at its next plenary meeting in February 2024.

When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is therefore subject to increased monitoring. This list is known as the 'grey list'.

The FATF formally placed Gibraltar on the grey list in June 2022 due to perceived deficiencies in pursuing regulatory sanctions and final confiscation judgments. Gibraltar's final 'action plan' was notably the shortest among all countries and jurisdictions subject to the increased monitoring process, consisting of only these two points.

At its October 2023 plenary meeting, the FATF determined that Gibraltar had substantially completed its action plan and warranted an on-site assessment to verify that the implementation of AML/CFT reforms had begun and was being sustained, and that the necessary political commitment remained in place to sustain implementation in the future.

It said Gibraltar had made the key reforms in "applying effective, proportionate and dissuasive sanctions for AML/CFT breaches in non-bank Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs) sectors" and in "pursuing final confiscation judgments commensurate with the risk and context of Gibraltar".

"We now look forward to welcoming the inspectors for the onsite visit in the coming months and the subsequent confirmation by FATF of Gibraltar's removal from the grey list in February 2024," said Minister for Justice, Trade and Industry Nigel Feetham. "We have totally committed to this process and look forward to continuing to engage with the FATF as we further develop our strategies in our fight against economic crime."

The onsite inspection is the final step in the process before a removal from the grey list and the scheduling is further evidence of the decisive steps taken by the Gibraltar authorities to meet the FATF's standards.

"We applaud the speed at which Gibraltar has responded to the grey listing action points, which emphasises its ongoing close collaboration with the FATF. This is a mutually beneficial relationship with this international standard-setting organisation, which is aimed at upholding the highest standards within the jurisdiction," said Gabriel Gonzalez, Business Development Director at Sovereign Trust (Gibraltar) Ltd.

"The Gibraltar government seeks to encourage and facilitate business and creates an environment that affords excellent 'ease of doing business', a favourable tax environment, a common law legal system, competitive operating costs, a productive, flexible and highly trained workforce and a well-developed infrastructure with world-class support services."

As well as dealing with regulatory issues, Gibraltar has also been progressing a 'Staged Application for Authorisation Approach', which is designed to introduce a more structured and refined approach to the authorisation application process to improve speed to market.

The Staged Approach, which is being introduced in 2024, will allow the Gibraltar Financial Services Commission (GFSC) to apply a risk-based approach to applicants seeking to carry on one or more regulated activities under part 7 of the Financial Services Act 2019. It focuses on the submission of critical core information at an early stage to ensure that speed to market underpins the whole process while also meeting regulatory objectives.

As such, the threshold conditions in the Act and any sector-specific threshold conditions, core business model, capital, key individuals, and key elements of the proposed operations of an application will be assessed first.

Once the GFSC is satisfied with the information received at each stage, it will then seek further information through the subsequent stages of the application process. This information will build on the core information already provided, progressing towards submission of all relevant application documents.

The Staged Application Process is designed to follow directly on from the pre-application process, which allows the GFSC to identify any concerns early on and avoids applicants submitting a full application (with the corresponding application fee) that is unlikely to be successful.

The application for authorisation process has been divided into three stages, which applicants will move through sequentially, with the addition of a fourth 'mobilisation' stage for applications from the Banking, E-Money, Investments Class 2 firms and Distributed Ledger Technology (DLT) sectors.

The GFSC intends to move applicants through the first three stages within a maximum period of six months, with a further period of three months for Stage 4 for the Insurance, Banking, Investments Class 2, E-Money and DLT sectors. The time taken to process an application will depend on the quality and extent of information provided by the applicant, as well as the timeliness of its submission.

"This is another example of the excellent and refreshing approach taken by the GFSC to ensure that Gibraltar not only remains competitive as an International Finance Centre, but also that it keeps evolving and remains easy to do business here," said Gonzalez. ■

# Countdown is on to Secondary Pensions in Guernsey

To secure the financial future of its residents, the government of Guernsey took the decision to adopt the UK model of offering auto-enrolment to employers for their staff. It is to introduce a state-facilitated, default secondary pensions scheme – called Your Island Pension (YIP) – which will be operated by Sovereign Pension Services (CI) Ltd.

The Law comes into force in July 2024, but YIP has already launched and is open to employers on a voluntary basis ahead of the legal regime coming into force.

YIP is Guernsey's equivalent of the UK's auto-enrolment regime. The main aim is to support more working age people in Guernsey and Alderney to save for their retirement, thereby enabling them to enjoy a more comfortable retirement and controlling welfare expenditure in the longer-term.

Under the secondary pensions legislation, Guernsey and Alderney employers will be required to contribute at least minimum levels into either the new YIP pension scheme or into a qualifying alternative scheme, following automatic enrolment of their employees.

YIP is to be implemented on a phased basis over a 15-month period, beginning with the largest employers (those with 26 or more employees). The minimum level of contributions will initially be 2% of earnings, with at least 1% paid by the employer. This will gradually rise to at least 10% of earnings with at least 3.5% paid by the employer after eight years. Employers and employees can choose to contribute higher amounts.

Sovereign Pension Services was selected by the Guernsey government to provide its new secondary pensions scheme following a tender process with local pension providers and we have been working hard in preparation for the launch of YIP.

"Secondary Pensions will transform the way people save for their retirement in Guernsey and Alderney," said Sean Gillease, Managing Director of Sovereign Pension Services (CI) Limited. "Sovereign is delighted to be playing such a central role in this transformation, delivering a solution that will be accessible for all Guernsey and Alderney businesses – with ease of administration, online services and low cost being key to the service."

We were also delighted to be able to announce the appointment of Helen Dean, chief executive of the UK auto-enrolment occupational pension scheme NEST, as chair of Guernsey's YIP Governance Committee from January 2024.

The NEST (National Employment Savings Trust) occupational pension scheme, which is run on a not-for-profit basis, ensures that all UK employers have access to suitable, low-charge pension provision to meet their legal duty to enrol all eligible workers into a workplace pension automatically.

Helen was with NEST right from the start. Her involvement began as an adviser on pensions to the UK government when she helped develop the auto-enrolment policy, saw it become law, and then designed and built the national pension scheme itself, which is provided by NEST.

Helen initially led the product, marketing and operations arms of NEST, before being appointed CEO in September 2016. Under her watch, Nest has grown to become one of the largest pension schemes in the UK and now manages pensions for a third of the UK's working population. Nest is forecast to have £100 billion of assets under management by the end of the next decade.

"Setting up an auto enrolment scheme is an important step for Guernsey and Alderney and building on my experience of this in the UK, I look forward to working with Sovereign and the Governance Committee to ensure Your Island Pension has strong and effective governance and the best possible pension scheme for the people of Guernsey and Alderney," she said.

"It is not an overstatement to say that Helen is the perfect person to take this role and we are excited to have her involved and looking forward to working with her in the coming years," said Gillease.

Finally, it was announced in December that Guernsey, along with other Crown Dependencies Jersey and the Isle of Man, had issued a joint commitment to increase transparency and accessibility to information held on their registers of beneficial ownership.

The central registers of company beneficial ownership in Jersey, Guernsey and the Isle of Man currently exchange information with international law enforcement entities and tax authorities around the world. In line with the shared global aim of combatting financial crime in all its forms, access to the information will be extended to include:

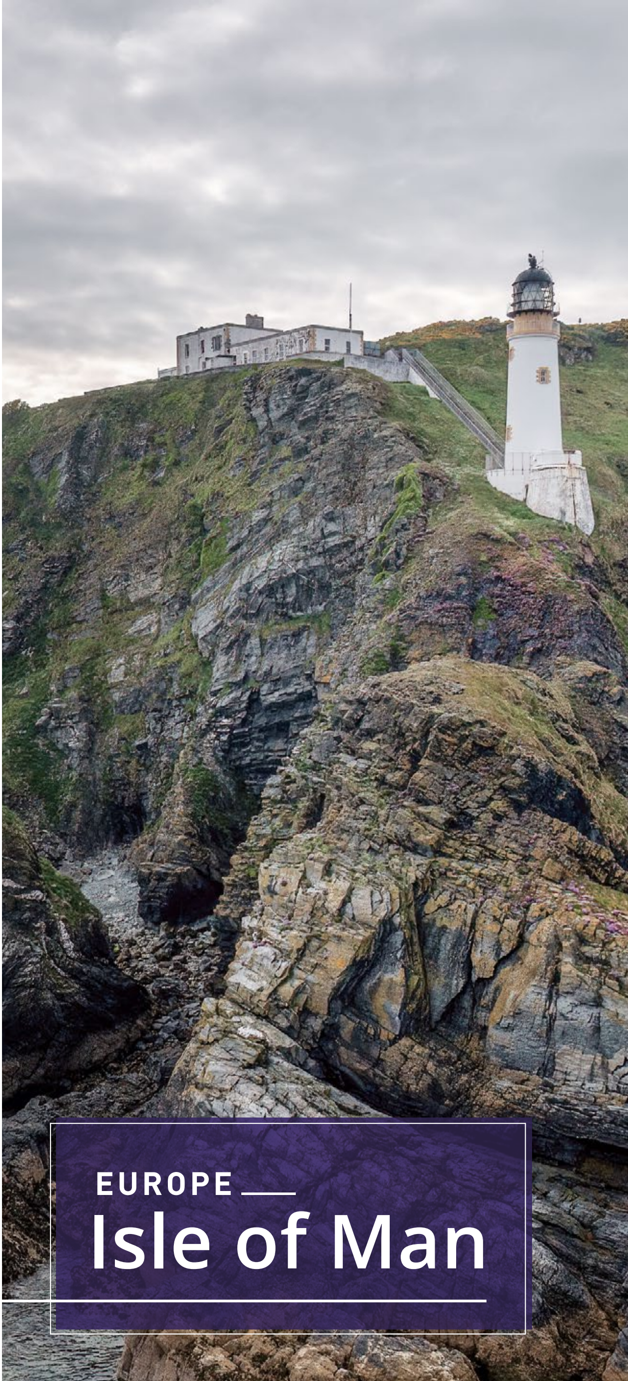
- Financial services business and certain other businesses in our own jurisdictions (collectively described as 'obliged entities') who are required to conduct customer due diligence.
- Media and civil society organisations that can demonstrate a legitimate interest in accessing relevant information to combat financial crime.

The Crown Dependencies have already undertaken substantial preparatory work to enable obliged entity access, and it will be implemented before the end of 2024 in a manner that puts in place appropriate safeguards to manage effectively any interference with privacy rights.

Subject to necessary approvals in the Crown Dependencies' legislatures, access for those with a legitimate interest will be provided in line with international obligations extended to the three islands, recognising the crucial balance between protecting human rights and combatting financial crime.

The Crown Dependencies will develop and deliver 'legitimate interest' access in a leading timeframe, taking into account international developments. Proposals to agree the definition of legitimate interest will be presented to the islands' parliaments by Q4 of 2024 at the latest, with implementation following in a reasonable timeframe afterwards.

The joint commitment follows careful consideration of recent decisions of the Court of Justice of the European Union and the European Court of Human Rights, which recognise the incompatibility with public access with the right to privacy, and recent international developments in response to this. ■




# Isle of Man amends trusts law for modern trust structuring and administration

In passing the Trust and Trustees Act 2023, the Isle of Man brought its trust legislation into line with contemporary trust law and practice through amendments to the existing trusts legislation and through a number of significant new additions.

The Act aims to modernise the laws to provide clarity and convenience for users of Manx trusts and to stimulate greater competition in the Island's trust sector. The changes were originally proposed in 2015 by the Regulatory and Legislative Innovation Working Group and were subject to a stakeholder consultation in August 2016.

Specifically, the new Act amends the Trustee Act 2001 in respect of trustees' duties, powers and liabilities, the Trustee Act 1961 in respect of trustees' powers and the powers of the court, the Limitation Act 1984 in respect of actions against trust property and the Apportionment Act 1982 in respect of entitlement to income arising under a trust.

The amendments provide for seven distinct changes to Isle of Man trusts law, as follows:

- Disclosure of trust information – to provide clarity as to who may apply for trust information and circumstances in which a trustee may refuse to provide it, and to codify the position as set out in the case of Schmidt v Rosewood.
- Power of trustee to contract with themselves – the reform allows trustees to contract with themselves when acting as trustees of multiple trusts. This provision brings the law in line with the realities of the modern trust industry, where trustees often act in multiple capacities.
- Liability of trustees to third parties – the new provisions cover the extent of the trustee's liability in cases where it informs a third party involved in a transaction or matter, or a third party is otherwise aware, that the trustee is acting as a trustee. In such cases, any claim by a third party with respect to the transaction or matter must be made against the trustee as trustee of the trust and extends only to the property of the trust.
- Validation of appointments where objects are excluded or take illusory shares – every such appointment will be valid even if any one or more of the objects is not able, or in default of appointment, to take any share in the property.
- Power to declare exercise of a power voidable – the reform restores the Hastings-Bass rule on voiding trustees' transactions. The new provisions clarify that the courts can reverse a decision whether or not the failure to consider relevant factors resulted from a lack of care or another fault of the trustee or an adviser to the trustee. Clarity has been lacking since the 2013 Supreme Court decision in Pitt v Holt.
- Amendment of the Limitation Act 1984 – to shorten the limitation period in which a beneficiary can bring a claim for breach of trust to from six years to three years.
- Amendment of the Apportionment Act 1982 – to enable trustees, subject to the terms of the trust, to have regard to social, ethical, governance and environmental matters including the views and values of a beneficiary in certain matters. In some instances, a trustee may apply to Court to modify a trust to permit assets to be invested in this regard where otherwise not permitted.

The Isle of Man Trust and Trustees Act 2023 received Royal Assent on 18 July. Sections 1 and 2 were brought into force on passing, while the remainder was brought into by Appointed Day Order on 1 December.

"While many other offshore jurisdictions have undertaken regular and proactive developments in their trusts' legislation, the Isle of Man had remained close to the England and Wales tradition," said Kerry Scholes, Trust and Pensions Director at Sovereign Trust (Isle of Man) Ltd.

"These amendments establish a clear, robust and adaptable framework for trust operations that can meet the demands of modern trust structuring and administration and bring us in line with other jurisdictions. The Isle of Man will continue to be a jurisdiction of choice for trust administration and management and hopefully it will continue to develop the strong foundations in our trust legislation."

In June, the Isle of Man government announced the three winners of its flagship FinTech Innovation Challenge, which ▸

was designed to promote innovation and collaboration in the financial technology sector. Over 80 applications were received from 20 countries.

Run by Digital Isle of Man and Finance Isle of Man, with the support of the Isle of Man Financial Services Authority and Deloitte, the initiative aims to help these businesses scale up their operations and expand into new markets, by launching products which address crucial issues facing businesses in the Island and around the world every day.

Digital Isle of Man Chief Executive Lyle Wraxall said: "We witnessed first-hand the transformative solutions presented by the participants and the innovation displayed by the finalists was extremely high. The event was an exciting culmination of months of hard work and dedication, and I would like to congratulate our three worthy winners for their cutting-edge solutions that will help accelerate the growth of the Isle of Man as a thriving FinTech ecosystem."

The Isle of Man will now seek to build on the success of the FinTech Innovation Challenge and develop a strategy to support a flourishing FinTech structure on the Island.

Finally, it was announced in December that the Isle of Man, along with other Crown Dependencies Jersey and Guernsey, had issued a joint commitment to increase transparency and accessibility to information held on their registers of beneficial ownership.

The central registers of company beneficial ownership in Jersey, Guernsey and the Isle of Man currently exchange information with international law enforcement entities and tax authorities around the world. In line with the shared global aim of combatting financial crime in all its forms, access to the information will be extended to include:

- Financial services business and certain other businesses in our own jurisdictions (collectively described as 'obliged entities') who are required to conduct customer due diligence.
- Media and civil society organisations that can demonstrate a legitimate interest in accessing relevant information to combat financial crime.

The Crown Dependencies have already undertaken substantial preparatory work to enable obliged entity access, and it will be implemented before the end of 2024 in a manner that puts in place appropriate safeguards to manage effectively any interference with privacy rights.

Subject to necessary approvals in the Crown Dependencies' legislatures, access for those with a legitimate interest will be provided in line with international obligations extended to the three islands, recognising the crucial balance between protecting human rights and combatting financial crime.

The Crown Dependencies will develop and deliver 'legitimate interest' access in a leading timeframe, taking into account international developments. Proposals to agree the definition of legitimate interest will be presented to the islands' parliaments by Q4 of 2024 at the latest, with implementation following in a reasonable timeframe afterwards.

The joint commitment follows careful consideration of recent decisions of the Court of Justice of the European Union and the European Court of Human Rights, which recognise the incompatibility with public access with the right to privacy, and recent international developments in response to this.

# Malta boosts skilled workforce as economy grows fastest in Europe

Malta is set to enjoy the strongest economic growth across all EU member states this year and next, even though it will moderate from 2022, according to the autumn forecast of the European Commission issued on 15 November.

The Commission said the island's GDP growth was expected to reach 4% this year, down from 6.9% in 2022. Malta was the only member state to reach 4%. Romania and Ireland came second and third with projected GDP growth of growth of 3.1% and 3% respectively. Poland (2.7%) and Cyprus (2.6%) completed the top five.

The Commission said private consumption had decelerated slightly in Malta due to higher inflation while investment had decreased against the exceptional surge in aviation sector investment in 2022. However economic growth was forecast to remain robust at 4.0% in 2024 and 4.2% in 2025.

- The tourism sector continues to rebound strongly, already exceeding the pre-pandemic levels, with further growth prospects in 2024 and 2025.

The Commission said Malta was expected to maintain a high pace of employment and population growth, a key factor driving the outlook for consumption despite the expected weak recovery in real wages. This increase was fuelled by strong labour demand which increased across all sectors of the economy, both public and private, and was especially strong in tourism and administrative services.

To mitigate this trend, last August the government of Malta extended its Skills Development Scheme, a programme designed to boost skills and drive growth in Malta's business sector. The revised scheme now covers up to 70% of training expenses, including trainee wages during the training period. It is open to Small and Medium Enterprises (SMEs) as well as Large Undertakings. Financial support is primarily in the form of a tax credit, but cash grants are also considered.

Malta Enterprise Chairman William Wait said: "We have expanded this scheme to a wider list of companies and are striving to make it easier to access and to manage. In this renewed version we are also focusing on enhancing communications skills, digital skills and assisting our companies in fostering sustainability conciseness among their employees. We appeal to all SMEs and large enterprises to reach out to Malta Enterprise to better understand how this scheme works."

To be eligible, companies must be actively engaged in an eligible economic activity in Malta and registered with the Malta Business Registry. Applicants should engage in activities aligned with the scheme's goals. Compliance with VAT, Income Tax and Social Security regulations is also mandatory.

"Malta is a perfect location to establish a start-up or small to medium-sized business," said Stephen Griffiths, Managing Director of Sovereign Trust (Malta) Ltd. "It's a full EU member state with more than 60 double tax treaties, excellent travel connections and the wide use of English in the business community.

"Sovereign's Malta team can assist with company registration and management, residency through Malta's various programmes, as well as payroll services. With the launch of this initiative, businesses established in Malta have an opportunity to attract and train the right personnel while benefitting from all the fiscal incentives available," he added.

The Maltese government also responded to a significant need for highly qualified workers in the investment services and insurance sectors, which have both expanded rapidly since Malta joined the EU in 2004.

Last June, the Commissioner for Revenue issued new guidelines under Article 6 of the Income Tax Act on tax benefits for "investment services and insurance expatriates". The objective is to attract highly skilled expatriates to work in Malta in these specific sectors.

An 'Investment Services Expatriate' is defined as any individual who is an employee of, or provides services to, a company that is:

- An investment services company holding an investment services licence issued under Article 6 of the Investment Services Act; or
- A company that is recognised by the relevant competent authority for the purposes of Article 9A of Investment Services Act, and whose activities solely comprise the provision of the following:
  - Management
  - Administration
  - Safekeeping
  - Investment advice to collective investment schemes as defined in the Investment Services Act.

An 'Insurance Expatriate' is defined as any individual who is an employee of, or provides services to, a company that is:

- Authorised under Article 7 of the Insurance Business Act
- An insurance manager as defined in Article 2 of the Insurance Distribution Act
- Carrying on the business of insurance broking under article 12 of the Insurance Distribution Act.

To qualify, an Investment Services or an Insurance Expatriate must satisfy the above conditions and must further not be ordinarily resident or domiciled in Malta, or not have been resident in Malta for a minimum period of three years immediately preceding the year in which the employment or service provision in Malta commences.

Qualifying Investment Services or Insurance Expatriates will be eligible for exemption from tax on the following personal expenses paid by the employing investments services company or insurance company:

- Removal costs in respect of relocation to or from Malta
- Accommodation expenses incurred in Malta
- Travel costs in respect of visits to or from Malta by the expatriate and their immediate family
- Provision of a car in Malta
- A subvention of not more than €600 per calendar month
- Medical expenses and medical insurance
- School fees of respective children.

Such payments incurred by the employer on behalf of an employee are normally taxed in the employee's hands as fringe benefits. The exemption from tax is available to the expatriate for a period of ten years commencing with the first year in which the expatriate is liable to taxation in Malta.

Qualifying Investment Services or Insurance Expatriates will also be treated as not resident in Malta for the purposes of Article 12 (1)(c) of the Income Tax Act, such that the following income will be exempt from tax:

- Interest, discount, premium or royalties.
- Gains or profits from the transfer of, or on a transfer of any rights over, any units in a collective investment scheme, as defined in Article 2 of the Investment Services Act.
- Any units relating to linked long term business of insurance.
- Any interest of a partnership which is not a property partnership.
- Any shares or securities in a company which is not a property company.

These benefits will continue to apply for the duration of the individual's employment in Malta as an Investment Services or Insurance Expatriate. However, they will not be eligible to also benefit under Malta's Highly Qualified Persons Rules.

Sovereign Trust (Malta) Ltd can assist with residency services in Malta, whether under the provisions of Malta's Expatriates rules or of the Highly Qualified Persons Rules. We also specialise in corporate structuring services and the establishment of a Malta branch for overseas companies wishing to conduct business and employ personnel in Malta, along with payroll and personal tax services. ■

# The NHR scheme has closed, but the Golden Visa rolls on

2023 was a rollercoaster year for those with residence or seeking residence in Portugal. As the Portuguese government had long signalled, property investment was finally removed as a qualifying option for residency under the Golden Visa programme. More unexpected was the withdrawal of the non-habitual residence (NHR) tax regime; however, it remains available for clients who can evidence that they started their move to Portugal in 2023.

In July, the Portuguese Parliament approved the government's 'Mais Habitação' (More Housing) legislative package. It contained a series of measures intended to ease the country's housing crisis, including the exclusion of real estate from the investment options available under the Golden Visa scheme.

This was done to reduce pricing inflation in the property sector and was a sound decision for the economy. The programme has attracted over €7 billion in investments from non-EU nationals since its inception in 2012 and real estate investments accounted for more than 90% of this total. The government also withdrew the option to make a capital transfer of at least €1.5 million to Portugal.

Such is the popularity of the Golden Visa scheme among non-EU nationals that Portugal will continue to attract foreign direct investment. The following investment options have been retained:

- Investment of at least €500,000 in a Portuguese investment fund or venture capital fund for the acquisition of units with a maturity of at least five years from date of purchase.
- Investment of at least €500,000 to an accredited institution for qualifying scientific research.
- Investment of at least €250,000 to an accredited institution for qualifying projects in artistic production or cultural heritage.
- Establishment of a single-shareholder private limited company creating at least 10 sustainable jobs that are based in Portugal.
- Investment of at least €500,000 for either the incorporation of a new company headquartered in Portugal that leads to the creation of five new jobs that are sustained for three consecutive years, or a capital injection in an existing company headquartered in Portugal that leads to the maintenance of at least 10 existing jobs.

Not surprisingly, the Portuguese venture capital and private equity funds option now accounts for most new applications. It offers the broadest selection of investment options and doesn't involve the investor in any active management responsibilities. In 2019, there were seven fund investment-based Golden Visa approvals totalling €3.1 million, but this increased to 235 in 2022, totalling €86.3 million. In the first five months of last year, there were a further 246 approvals totalling €88.3 million.

"Finally, the roadmap is clear on how the Golden Visa scheme will continue to operate in Portugal," said Shelley Wren, Sovereign's Head of Business Development in Portugal. "Sovereign has an in-depth knowledge of all these Golden Visa options and how they can be applied to meet the objectives of individual clients. We are delighted that the uncertainty is now over, and we can recommence working with clients to ensure that they can gain access to all the benefits of Portuguese residence."

The Portugal Golden Visa remains the only route to an EU passport without a minimum six-month stay at this investment level. The Portuguese government has also recently announced that the application period for the Golden Visa, which can take a considerable time given its popularity and the backlog of

applications, will now be counted counted towards the five-year qualifying period for citizenship, reducing the time it takes to receive a Portuguese passport and EU rights.

This may be significant given the delays in processing applications by the former Foreigners and Borders Service (SEF), which was dissolved by the government last October. All matters concerning foreign documents are now handled by the newly created Agency for Integration, Migration, and Asylum (AIMA) but there is little evidence of any improvement.

By approving the State Budget last November, the Portuguese parliament effectively terminated the Non-Habitual Resident (NHR) special tax regime, which provided reduced tax rates to qualifying foreign residents for their first 10 years in Portugal.

Termination of the NHR regime will not affect those individuals who are already NHR-registered or who meet the conditions for NHR registration by 31 December 2023; but foreigners moving to Portugal (or applying for residency) after 31 December 2023 will no longer qualify.

Although the NHR special tax regime is to be closed to new entrants from 31 December 2023, the Budget legislation included transition provisions that will enable certain individuals who have already committed to becoming resident in Portugal to access the NHR regime during 2024, provided they meet certain criteria relating to existing contracts of employment or property, residence permits and visas, or educational enrolment. This means that the NHR scheme will be phased out to new entrants during 2024 and fully terminated by 2034 when the final ten-year periods expire.

According to data released this autumn by Portugal's Tax and Customs Authority, the annual amount of tax exempted by the government under the NHR regime crossed the €1 billion mark for the first time in 2021, having risen from €770 million in 2019 to €1.21 billion. It did not specify the total number of NHRs benefiting under the scheme, but it is understood to exceed 10,000 and the number of applicants has been steadily growing each year.

As well as terminating the existing NHR regime, the Budget legislation also provides for a new, more limited beneficial regime – called the 'incentive to scientific research and innovation' – which was introduced for specific categories of professionals from 1 January 2024.

Individuals who have not been tax residents in Portugal in any of the previous five years, and who earn income from the professional activities listed below, may be taxed at the special rate of 20% on net income from employment (Category A) and self-employment (Category B) in Portugal for a period of 10 consecutive years, starting from the year in which they become tax residents in Portugal.

- Higher education teaching and scientific research careers
- Research and development professions
- Job positions and members of the board of certified start-ups
- Job positions or other activities carried out by tax residents in the Azores and Madeira.

Eligible individuals for this regime will also be able to access an exemption on several categories of foreign-sourced income, such as employment or freelance income, dividends, capital gains, real estate income or interest. taxation on any income earned abroad. Pension income and income paid by entities that are domiciled in low tax jurisdictions will not be eligible for exemption. ■

# Stay or go? Decision time for UK non-doms as election approaches

With the UK entering a general election year and all polls and forecasters predicting a resounding victory for the opposition Labour party, one of the key issues for private clients is the taxation of non-domiciled individuals ('non-doms') who are resident in the UK.

The next election must take place by 28 January 2025, but Prime Minister Rishi Sunak has stated that it's his "working assumption" that the election will happen in the second half of this year. Some commentators believe the Tory party conference in October will be the launchpad for an election in November, others believe he could call one in May to coincide with the local elections.

Either way, time is getting very short and almost 70,000 non-doms face decisions about what to do in the event of a Labour victory. Neither party has yet published a manifesto, so there are no definitive policies, but the Labour party has confirmed that it intends to scrap the current non-dom system.

Instead, it is proposing "a modern scheme for people who are genuinely living in the UK for short periods to allow us to continue to attract top international talent". Shadow chancellor Rachel Reeves has said Labour would look at countries including Canada, France and Japan to develop the new system and would consult on the details.

The non-dom regime, which dates back more than 200 years, allows foreigners who are resident in Britain but 'domiciled' overseas, to pay UK tax only on their UK-sourced income and capital gains. They do not pay UK tax on their foreign income or gains, unless they are 'remitted' into the UK, while UK-domiciled and resident individuals are taxed on their worldwide income and gains.

For the first seven years of UK residence, non-doms can claim their exemptions without paying a charge, although they lose their domestic personal tax-free allowances. But after being non-UK domiciled for at least seven of the previous nine tax years, non-doms are required to pay a 'remittance basis charge' of £30,000 annually, which rises to £60,000 once they have been non-domiciled for at least 12 of the previous 14 tax years. After being resident in the UK for 15 of the previous 20 tax years, non-doms are deemed to be UK-domiciled and lose their exemptions.

Crucially, the foreign assets of non-doms are also exempt from inheritance tax (IHT), unlike UK-domiciled individuals who are liable for inheritance tax of 40% on their worldwide wealth.

Any decision to scrap the non-dom regime could have significant repercussions for the UK's tax revenue and international competitiveness. The latest statistics from HM Revenue & Customs show there were 68,800 non-doms in the UK, who together paid £8.5 billion in UK personal taxes in the 2021/22 tax year.

Of these, only 2,100 non-doms paid the remittance basis charge in 2020/21, with 1,600 individuals paying £30,000 and 500 paying £60,000. While many non-doms are high-net-worth individuals living off unearned income, most are working as entrepreneurs, bankers, professionals or consultants.

But even if the UK non-dom regime is abolished, it is unlikely that every non-dom will want to leave the UK and there are other options, including the legitimate use of offshore structures.

"If individuals place their non-UK assets in an offshore trust before they are deemed domiciled, then these assets will be ringfenced from IHT indefinitely, even if the individual decides to settle permanently in the UK and lose their non-dom status," said Stuart Stobie, Managing Director of Sovereign Corporate & Trustee Services (SCATS).

"However, it is important that people should establish such structures now on the basis that the existing benefits will be retained if they are already in existence before the law changes," he added.

Alternatively, existing non-doms can choose to become non-UK tax resident by increasing the number of days they spend outside the UK. Depending on their circumstances, this would allow them to retain a home in the UK and spend a limited amount of time in the country.

"Whether clients decide to stay in the UK or leave, Sovereign can assist with advice on restructuring your assets or moving to other countries that have similar special tax regimes," said Stobie.

Last October, the UK brought the Economic Crime and Corporate Transparency Act (ECCTA), which introduces identity verification for all new and existing registered company directors, people with significant control and those who file on behalf of companies, into force.

The new ECCTA introduced substantial reforms to Companies House including new identity verification requirements for all directors and persons with significant control (PSCs), as well as changes to the definition of 'registered overseas entity' significant changes to the reporting requirements under the Register of Overseas Entities (ROE), particularly for entities connected with trust structures.

SCATS is a UK-regulated agent for the purposes of the ROE and has been heavily involved in assisting overseas entities holding UK land to register and in undertaking the verification checks that are required.

"This compliance process has highlighted to us that many UK property owning structures are no longer fit for purpose. Simply owning a UK property through an offshore company no longer provides any effective mitigation from UK capital gains tax (CGT) and inheritance tax (IHT)," said Stobie.

"Clients who own property in the UK should therefore consider restructuring the ownership as a matter of urgency. There are several better options available, including Qualifying Non-UK Pension Schemes (QNUPS), Family Investment Companies (FICs), Exempt Property Unit Trusts (EPUTs) or even, where appropriate, Employee Ownership Trusts (EOTs). For further information or to discuss restructuring your UK property holding, please contact us."

Finally, we should remind clients that charges under the Annual Tax on Enveloped Dwellings (ATED), which applies to companies and trusts that own UK residential property valued at more than £500,000, will be increased by 6.7% from 1 April 2024 in line with the September 2023 Consumer Price Index. This will take the charge to £4,400 a year for a property valued between £500,001 to £1 million, and at the top end of the scale to £287,500 a year for a property valued over £20 million, an increase of over £18,000). ▪

# Bahrain continues to attract investment projects

Setting a new record, Bahrain's Foreign Direct Investment (FDI) inflows increased by USD1.95 billion in 2022 while global FDI fell by 12%, according to the World Investment Report (WIR 2023) by the United Nations Conference of Trade and Development (UNCTAD).

"This milestone achievement of almost USD2 billion in FDI inflows reflects the robust level of investor confidence in Bahrain's value proposition, encouraging local and international investments that are backed by a highly skilled workforce and best value operating costs serving as a gateway to the region," said Khalid Humaida, chief executive of Bahrain Economic Development Board (Bahrain EDB).

Economic diversification efforts have long been underway in Bahrain, but the Economic Recovery Plan (ERP) was launched in 2021 to aid economic recovery after the Covid pandemic launched by aiming to create more than 20,000 jobs annually for citizens by 2024 and attract USD2.5 billion in foreign investment by 2023.

The ERP further focuses Bahrain's economic development with an overarching aim of enhancing Bahrain's competitiveness on an international level by reprioritising the economy and underscoring strategies across high value sectors – financial services, ICT, manufacturing, logistics and tourism.

Bahrain EDB further announced, on the side-lines of the Gulf Information Technology Exhibition (GITEX) in October, that it had attracted USD295 million in direct investments within the Information and Communications Technology (ICT) sector, as part of a total projected direct investment of USD1.4 billion during the first nine months of 2023. These comprised 14 local and international projects and were expected to generate over 1,600 jobs within three years.

Bahrain is ranked seventh globally for Financial Freedom and eighth for Investment Freedom on the Heritage Foundation's 2023 Index of Economic Freedom. Bahrain has a highly favourable tax regime with 0% corporate and personal income tax, no restrictions on repatriation of capital, profits or dividends, and 100% foreign ownership across most sectors, with no free zone restrictions.

The government's proactive approach is demonstrated by a number of initiatives and policies that have been introduced specifically to attract and support investors, including:

- **The Golden Licence** – A special licence awarded to large-impact investment projects that align with Bahrain's ERP.
- Team Bahrain Approach – A programme where government bodies work closely with businesses and regulators to explore opportunities and create optimal conditions for business growth.
- **StartUp Bahrain** – A community initiative that brings together entrepreneurs, corporates, investors, incubators, educational institutions and the Bahrain Government, to promote start-up culture in Bahrain.
- **FinTech Regulatory Sandbox** – Operated by the Central Bank of Bahrain (CBB) to enable companies to test their technology-based solutions for up to a year under supervision.
- **Bahrain FinTech Bay (BFB)** – A public-private partnership between the EDB and the Singapore-based FinTech Consortium that is dedicated to enabling, fostering and ultimately building a complete fintech ecosystem.
- **Platinum Residency Permit** – Allows foreign nationals who have lived in Bahrain for at least 15 years and hold a Golden Residency Visa to buy real estate anywhere in Bahrain and sponsor dependants. They must also have earned an average basic monthly salary of at least BHD4,000 (c. USD10,600) during the last five years of residency.
- **Golden Residency Visa** – Launched in 2022, this provides qualifying investors, retirees and highly talented individuals with a 10-year renewable residence permit, as well as the ability to sponsor residence permits for immediate family members.

In addition to its standard corporate and private client services, Sovereign opened a new business incubator and business accelerator last year, which provides office space in Bahrain as well as all the necessary support and facilities for start-ups. The Sovereign Business Hub offers a positive space in Bahrain to incubate and support innovative ideas.

Sovereign Bahrain also offers the Sovereign 'Green Pack', which is a bundle of services that is designed to protect and maintain Bahrain companies to ensure they remain in good standing throughout the year. This includes commercial licence applications and renewals, employee permits and contributions, audit and economic substance filings, and beneficial ownership and VAT registrations and submissions. ■

# Qatar: the economy of the future

Building on the momentum of the domestic investment boom generated by hosting of the men's FIFA World Cup in the winter of 2022, Qatar's new strategic objective is to transform itself into an attractive destination for international capital.

Since 2008, the nation's policy direction has been shaped by the Qatar National Vision 2030; an ambitious development plan that seeks to transform Qatar into an advanced country by 2030, capable of sustaining its own development and providing a high standard of living for all its people.

One of the core principles of the Qatar National Vision is economic diversification. While the country's hydrocarbon resources have unlocked vast wealth over the past 50 years, Qatar is now seeking to open itself up to international investments and grow its private sector, while exploring the potential of emerging industries such as tourism, sports, finance, technology, real estate and logistics.

The Qatari government is aiming to create an ever more attractive business environment to boost foreign investment and domestic employment. Considered to have one of the most competitive tax frameworks in the world, it is now in the process of enhancing its regulatory framework to offer a more transparent, predictable, and welcoming environment for investors.

To this end, Qatar introduced significant amendments to its Income Tax Law in 2023 to bring it into line with international standards set by the OECD to combat Base Erosion and Profit Sifting (BEPS) and by the European Union to combat 'harmful' taxation.

Last February, Law No. 11 of 2022 amended certain provisions of the 2018 Income Tax Law in respect of Qatar's foreign-source income exemption (FSIE) by expanding the types of income that are subject to tax in Qatar.

Income from foreign dividends, interest, royalties and technical service fees, and immovable property located abroad are now subject to income tax in Qatar where such income is not attributable to a foreign permanent establishment of a Qatari entity. Relief will be granted for foreign tax paid on foreign income, but this relief is limited to the corporate income tax liability in Qatar and is subject to certain conditions.

New reporting requirements were also introduced in respect of economic substance and core income generating activities (CIGA). Entities that fail to meet the substantial activity requirements will not be issued with a tax residency certificate in Qatar and will face penalties equal to 15% of net income.

The amendments further introduced ultimate beneficial owner (UBO) requirements, such that companies, partnerships and foundations must maintain accurate information on their UBOs and intermediaries and submit this to the authorities when required.

The rewards for passing this legislation came in October when the EU's Economic and Financial Affairs Council (ECOFIN) formally removed Qatar from its 'grey list' of non-cooperative jurisdictions for tax purposes. It confirmed that Qatar had fulfilled its commitments by implementing tax good-governance principles and amending its FSIE regime, which the EU had identified as 'harmful'. Qatar is now listed

among the jurisdictions that cooperate with the EU and has no pending commitments.

Qatar is seeking to develop a knowledge-based economy, with new technologies at its core. There are a growing number of incentives in place for tech start-ups and research and development centres, and Qatar has set itself specific targets for training Qatari nationals and upskilling its workforce. A complete and comprehensive digital transformation will be central to Qatar's future development.

This digital transformation can be seen in the continued expansion of Qatar's 'Single-Window platform' services, which were expanded last year to company incorporation and registration procedures.

The Single-Window initiative is a national project begun in 2019 and led by the Ministry of Commerce and Industry (MOCI) that is aimed at simplifying the procedures for starting a business in Qatar and directing investments to the priority sectors identified in the National Development Strategy.

The Single-Window provides a single integrated online interface for the submission and approval of applications, allowing investors to submit and sign applications and pay fees electronically from anywhere in the world.

Previously, investors were required to apply separately to a range of different government departments to secure the necessary permissions and approvals to complete incorporation and registration. The single-window platform allows them to access the services of 18 government agencies in one place and to obtain all three registrations/licences in one go – Commercial Registration (CR), Trade Licence and Company Establishment Card/Immigration Card.

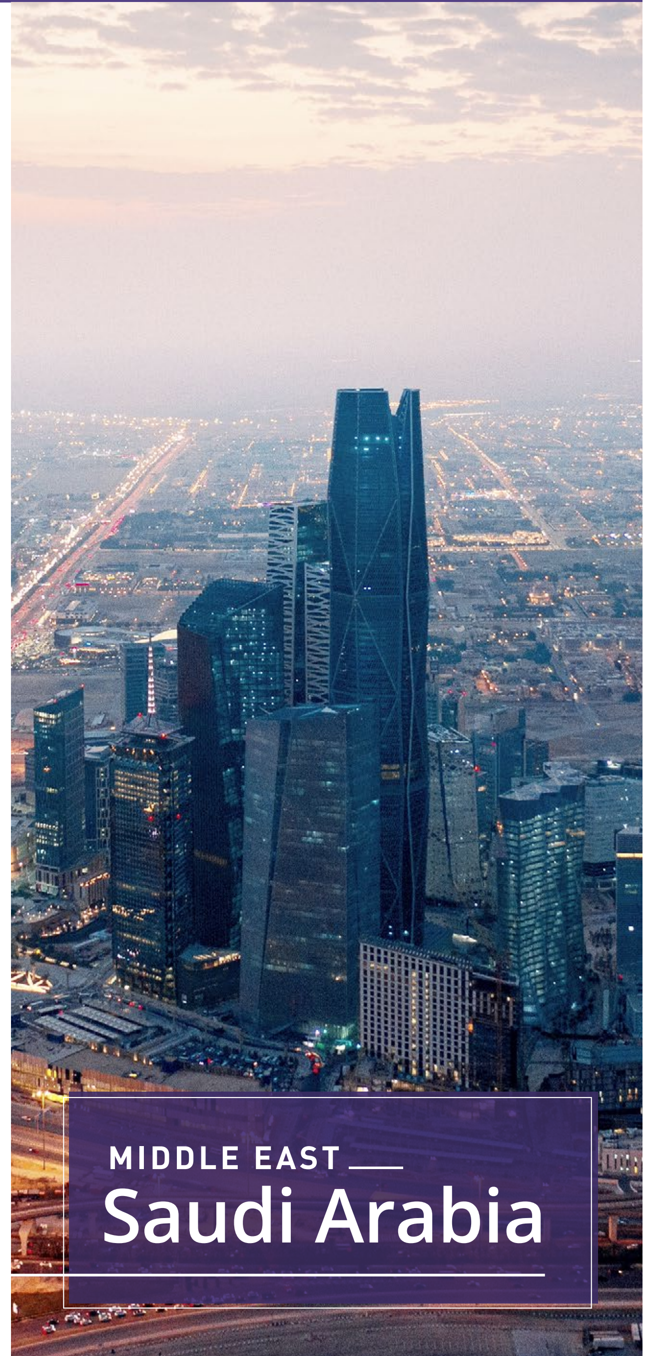
The Qatar Single-Window system has been designed to make the incorporation process significantly easier and faster for foreign businesses setting up in Qatar. PRO Partner Group can assist clients to navigate this Single Window system and ensure that all the correct documentation is collated for the application process.

MOCI also launched the 'Business Map Portal' on its website in 2022 in line with the requirements of Law No (1) of 2020 on the Unified Economic Register, which aims to bolster transparency in economic and financial transactions by providing information, data and documents in respect of companies, partnerships, non-profit organisations and freelancers.

The Portal provides a comprehensive database of investment incentives across Qatar's various regions and enables users to access data on commercial establishments throughout the country. It assists entrepreneurs and investors to decide on the most suitable activity and location to establish their business.

It also helps in mapping potential competitors and residential areas to determine the customer base and feasibility of a project in a specific area, and provides a platform for entrepreneurs to communicate, share ideas and exchange expertise.

"MOCI's recent updates to both the Single Window and Business Map Portal services in Qatar have greatly improved the experience for business incorporation and expansion in the local market. With extensive access to market information and a streamlined registration and licensing process, Qatar is making increasing efforts to be an attractive option for companies to approach the region," said Paulina Zalewska-Dzieciuchowicz, Sovereign PRO Partner Group Country Manager for Qatar. ■



MIDDLE EAST

# Saudi Arabia

## Saudi's National Investment Strategy to propel growth and diversification

Saudi Arabia's implementation of substantial legal, economic and social reforms to attract greater external funding is paying off as the Kingdom recorded a USD2.13 billion surge in foreign direct investment (FDI) inflows in the third quarter of 2023, a 29% increase over the previous three months.

These efforts encompass various initiatives, such as the introduction of the National Investment Strategy, the launch of the regional headquarters programme, and newly introduced tax incentives, including zero levies, for foreign companies. Saudi has also bid successfully to host both the 2030 World Expo and the 2034 Football World Cup.

In 2021, the Saudi government launched the National Investment Strategy (NIS), a plan to transform its economy through additional support for innovation, incentives to boost private sector contributions, and targeted support for strategic sectors.

More broadly, the NIS focuses on strengthening the role of FDI, which is expected to grow to 3.4% of GDP by 2025 and 5.7% by 2030, positioning Saudi Arabia among the top 10 economies in the Global Competitiveness Index by 2030. The NIS is meant to enable Vision 2030, the government's blueprint announced in 2016 to propel the growth and diversification of the Kingdom's economy.

In December, the government announced a 30-year corporate income tax exemption package for foreign companies establishing their regional headquarters (RHQ) in Saudi Arabia. The incentive, which will be applied from the day a company obtains a RHQ licence, is a key part of its campaign to attract multinational enterprises (MNEs) to bring international investment and headcount to the Kingdom.

The Saudi government announced its RHQ campaign in February 2021 by declaring that any foreign company that did not have its RHQ office in Saudi Arabia by the start of 2024 would be barred from doing business with state entities. It has now licensed more than 200 companies under the RHQ programme.

A new Companies Law, which came into force last January, unified Saudi rules related to commercial companies, professional and non-profit companies under one law and introduced a new type of entity, the Simplified Joint Stock Company (SJSC) to meet the needs and requirements of a fast-growing start-up and venture capital market in KSA.

The new Law also removed restrictions on company names, permitted Limited Liability Companies (LLCs) to issue negotiable debt and finance instruments, and allowed family-owned companies to enter into a binding family business charter to regulate ownership, governance, management, and distribution of profits.

It further introduced a number of new changes to the rules of establishing and the governance of Joint Stock Companies (JSCs), including the ability to establish a JSC with only one shareholder, allowing different class of shares to be issued and removing the maximum cap for the remuneration of board members.

In April, Saudi Arabia's Special Economic Cities & Zones Authority (ECZA) announced the launch of four new Special Economic Zones. Each zone is designed to unlock key segments of Saudi's economic development goals under the Vision 2030 strategy, with ECZA providing a safe and modern business environment for international investors.

Saudi Arabia's new special economic zones, strategically situated across the Kingdom, are King Abdullah Economic City (KAEC) SEZ in Makkah Province, Jazan SEZ in Jazan Province, Ras Al Khair SEZ in Eastern Province, and Cloud Computing SEZ located in King Abdulaziz City for Science and Technology (KACST) in Riyadh Province.

The incentives offered to companies cover both fiscal and non-fiscal incentives, including a 5% Corporate Income Tax rate for up to 20 years, 0% withholding tax on repatriation of profits to foreign countries, customs duties deferral for goods and duty-free imports of machinery and raw materials, 0% VAT for all intra-SEZ goods exchanged within and between the SEZs, 100% foreign ownership, enhanced set-up procedures and flexible and supportive regulations around foreign talent during the first five years.

In June, the Ministry of Investment launched a new 'visiting investor' e-visa aimed at simplifying the entry process for investors seeking to explore business opportunities in the Kingdom. This service is aligned with Saudi Arabia's Vision 2030 objectives, which seek to position the Kingdom as a leading global investment hub.

Launched in collaboration with the Ministry of Foreign Affairs, the permit is an electronic visa that can be obtained via the unified national platform for visas. The process has been streamlined to assist potential investors. Applications will be processed swiftly, and the visa will be issued electronically.

UK nationals can also now enter Saudi Arabia for up to six months on a single entry under the new Electronic Visa Waiver (EVW), which came into effect in August. An EVW permits a single-entry visit of up to six months. Entrants are permitted for the purposes of tourism, business, study or medical treatment.

The Ministry of Foreign Affairs also announced that it was expanding its instant tourist e-visa scheme to include holders of visas to the UK, the US and Schengen zone countries, as well as permanent residents of the UK, US and any EU member states.

The e-visa, which was introduced last September for residents of Gulf Cooperation Council (GCC) states, is a one-year, multiple-entry visa, allowing tourists to spend up to 90 days in the country. Since opening to tourism in 2019, Saudi has become one of the fastest-growing tourism markets globally. The tourism sector now contributes to 4.45% to GDP and is targeted to generate 10%.

In January this year, the government launched five new categories under its long-term Premium Residency Permit (PRP) scheme, offering self-sponsored long-term residency permits to a wider range of foreign nationals.

Foreign nationals can apply under one of the following categories: special talent (including executives, and healthcare and scientific professionals); gifted individuals in culture, the arts, and sport; investors; entrepreneurs; and real estate owners or investors.

The expansion of the PRP is intended to increase the number of highly skilled individuals, entrepreneurs, and investors residing long-term in the Kingdom in line with its aim to attract and retain foreign investment and talent.

In November, Saudi Arabia's capital Riyadh was chosen to host the 2030 World Expo, securing 119 of the 165 votes in the first round to knock out Rome and the South Korean port city of Busan for an event expected to draw millions of visitors.

Saudi's USD7.8 billion plans include a major public transit network and a futuristic, round space with public parks, e-game facilities, large scale performance stages and sport venues. The project includes a focus on "accelerating innovations" to preserve natural ecosystems.

The Expo announcement followed hard on the heels of Saudi's taking pole position to host the men's 2034 FIFA World Cup as the only declared candidate when the bidding deadline expired in October. FIFA will announce its final decision later this year, but victory for Saudi Arabia now seems a formality. Saudi is also hosting the men's Asian Cup in 2027 and has started a widespread construction programme to build and renovate stadiums that will also likely be used for the World Cup. ■

# UAE's predicted growth prospects for 2024 improve

The United Arab Emirates (UAE) is forecast to achieve a gross domestic product (GDP) growth rate of over 5% this year, according to ratings agency S&P Global. It said the growth, particularly in Dubai, would be driven by strong momentum in the hospitality, wholesale and retail, and financial services sectors.

The announcement follows an impressive performance in foreign direct investment (FDI). Flows into the UAE rose 10% in 2022 to a record USD23 billion, according to the World Investment Report (WIR 2023) by the United Nations Conference of Trade and Development (UNCTAD). Globally, FDI fell 12% in the year.

The UAE attracted around 60% of total FDI into the six-member Gulf Cooperation Council (GCC) bloc, which more than doubled to USD37 billion. It also ranked first in the whole MENA region, accounting for 31% of the total FDI inflow to the region, which amounted to USD66.6 billion.

The UAE presents a compelling opportunity for inbound investments with the country's economy growing at an average of 7% over the past decade and with the non-oil economy now accounting for more than 70% of GDP. Trade and logistics, financial services, manufacturing and tourism are now key economic sectors.

The UAE government has created a Ministry of Investment to bring the investment policies of individual emirates together into a unified strategy that will help further boost its inward and outward investment flows. It is also mandated to assist UAE-based companies to expand into bigger markets and establish a global presence.

The UAE's growing global presence was boosted by hosting the United Nations' COP 28 Climate Change Conference in December, which followed hard on the heels of the World Expo 2020 hosted in Dubai in 2021 and 2022.

The conference was focused on the transition to renewable energy and how nations can accelerate the adoption of clean energy sources, reduce dependence on fossil fuels and collectively work towards achieving sustainable development goals. As a hub for technological innovation, the UAE's hosting of COP28 carries immense significance. It has emerged as a leader in sustainability, implementing ambitious projects like the Mohammed bin Rashid Al Maktoum Solar Park and Masdar City.

There was further good news in October when the Financial Action Task Force (FATF), the global money laundering and terrorist financing watchdog, confirmed that the UAE had satisfied its action plan and was scheduled, subject to successful onsite inspection, to be removed from the 'grey list' of jurisdictions subject to increased monitoring at its next plenary meeting in February 2024.

The FATF formally listed the UAE in June 2022. When the FATF places a jurisdiction under increased monitoring, it means the country has made a high-level political commitment to resolve swiftly the identified deficiencies in the effectiveness of its anti-money laundering and countering the financing of terrorism (AML/CFT) regime.

June 2023 marked another stage in the evolution of the UAE's tax regime when it introduced a corporate income tax for the first time, in line with international obligations under the OECD base erosion and profit shifting (BEPS) initiative. Previously corporate income tax was imposed only on oil and gas producing companies and branches of foreign banks.

The new federal corporate tax (CT) regime applies to financial years starting on or after 1 June 2023, with a headline rate of 9% that will apply on taxable profits over AED375,000 which remains highly competitive in comparison to other jurisdictions. Additionally, in April 2023, a Small Business Relief programme was launched exempting firms with under AED 3 million in annual revenue from tax liabilities for an initial period until the end of 2026. This provides headroom for SME growth. Companies that operate in free zones can also pay zero tax on income if they fall under certain qualifying activities and transactions.

Individuals, whether resident or no-resident, who engage in business or business activities in the UAE are also generally subject to corporate tax and registration requirements if their combined turnover exceeds AED1 million in a calendar year. For this purpose, however, wages, personal investment income and real estate investment income will not be considered for determining such turnover.

The new CT regime will bring increased transparency in terms of tax compliance and accountability and provide investors with greater confidence in the UAE's regulatory framework. However, it also brings new compliance obligations in the form of tax returns, transfer pricing documentation and maintenance of records. It is crucial for companies to assess their current systems and procedures, seek expert advice and adapt their business strategies wherever necessary in order to remain competitive and compliant. ▪

# *Sovereign Art Foundation (SAF) gets back into full swing*

2023 was a busy year for the Sovereign Art Foundation (SAF) as its international portfolio of regional and school art prizes, together with its range of expressive arts programmes to support vulnerable children, got back into full swing after the lifting of all restrictions from the last few years.

SAF was established in 2003 by Sovereign chairman Howard Bilton and director Tiffany Pinkstone, who shared a vision of celebrating contemporary art talent while also raising funds to bring the therapeutic benefits of art to children in need. Two decades on, SAF is firmly cemented into place as the core element in the Sovereign Group's corporate social responsibility (CSR) agenda.

The year began with the second edition of The Norval Sovereign African Art Prize 2023, held in January in Cape Town, South Africa, which attracted 326 nominations of contemporary artists from Africa and its diaspora. The Grand Prize of ZAR500,000 was awarded to Malian artist Famakan Magassa for his work La Ballade Noctambule.

The Public Prize for the work that received the most votes from the public attending the two-month exhibition of the 30 finalists at the Norval Foundation Art Museum in Cape Town, was awarded to Senegalese artist Alioune Diagne for XALÉ TEY – Enfants d'aujourd'hui, together with ZAR25,000.

The finalists' artworks, which were entered into an online charity auction hosted by Sotheby's, raised a total of USD193,900, which was split equally between the artists and The Norval Foundation Learning Centre, which provides access to arts to underprivileged communities and using art education to stimulate the development of critical thinking and interpretation skills for life.

In May, SAF announced Indian artist Parul Gupta as Grand Prize winner of The 2023 Sovereign Asian Art Prize, the 19th edition of the award. She received the USD30,000 prize for her work, Notes on Movement- Layer #115. The finalists were selected from 165 entrants nominated by over 60 independent professionals and hailed from 16 countries and regions across the Asia-Pacific region.

Another Indian artist, Cop Shiva, picked up the Public Vote Prize of USD1,000 for his work, No Longer a Memory, after a free public exhibition at the H Queen's arts gallery building in Hong Kong. Thai artist Alisa Chunchue was awarded the Vogue Hong Kong Women's Art Prize of USD5,000 for her work, Wound.

All the shortlisted artworks, except for the Grand Prize winner, were then auctioned at a Gala Dinner at the Four Seasons Hotel, Hong Kong, with the proceeds split evenly between the artists and the SAF's charity programmes.

The evening raised nearly HKD2 million through artwork sales and pledges. These funds will support SAF's Make It Better (MIB) programme, which has been providing expressive arts workshops for children living in Hong Kong's most disadvantaged communities since 2013.

In November, SAF announced that the 2023 Sovereign Portuguese Art Prize of €25,000 had been awarded to Brazilian-born artist Cassio Markowski for his artwork titled Conselhos para meu eu quando jovem ('Advice to my younger self').

This was the second edition of the prize celebrating the practices of leading contemporary artists living in Portugal and its diaspora and nearly 200 entries were received. The Finalists' Exhibition, comprising the work of the 30 shortlisted artists, went on display at the Sociedade Nacional de Belas-Artes in Lisbon in November and December.

The Public Prize was awarded to Leyla Gediz for her oil painting titled Troubleshooter. The proceeds from the finalist artwork sales will be split equally between the artists and SAF, which will use them to fund expressive arts programmes to support the children who need it most in Portugal.

Official figures suggest that over 20% of Portugal's children live in poverty. Those with the added disadvantages of learning difficulties or behavioural problems can benefit enormously from engagement in expressive arts to support emotional and mental wellbeing. SAF has already started expressive art classes for children in Estremoz and will be expanding its programmes in Portugal as funds allow.

SAF has also built up a stable of annual Students Prizes that celebrate the importance of art in the education system and recognise the quality of artworks produced by secondary-school students across the world. The first Students Prize was established in 2012 in Hong Kong, and this has been followed

by additional prizes in Bahrain, Cyprus, Gibraltar, Guernsey, the Isle of Man, London, Malta, Mauritius, Portugal, Singapore. Last year, Chester in the UK was also added to the roster.

In 2021, SAF further established the Global Students Prize to bring together the winning artworks of the previous year's Students Prize competitions, selected either by the judging panel or by the popular vote, from each participating country. From the shortlist, a Global Judges Prize winner and Global Public Vote Prize winner are selected. This competition enables cultural exchange between nations, showcasing artworks by the most talented and promising students from across the globe.

The 2023 Global Prize was awarded last January to Guernsey teenager Jacques Loveridge whose spectacular entry, Galactic Archway, was composed of nine photographs with a one-minute exposure time stitched together to create a view of the Milky Way distorted in an arch shape. Jacques, who had won the Public Vote Prize in the Guernsey Student Prize 2022, picked up the £800 Global prize together with £2,000 for his school, Blanchelande College.

Powered by these art prizes, SAF's expressive arts programmes support the wellbeing of vulnerable children, support their educational needs, and help them develop important life skills. Its flagship 'Make It Better' programme in Hong Kong focuses on assisting children with special educational needs (SEN), including autism, ADHD and other specific learning difficulties that can bring about a variety of social, emotional, and behavioural challenges.

Make It Better is led by a professional team of art therapists and facilitators and combines expressive arts workshops for children with SEN with support for their caregivers and educators.

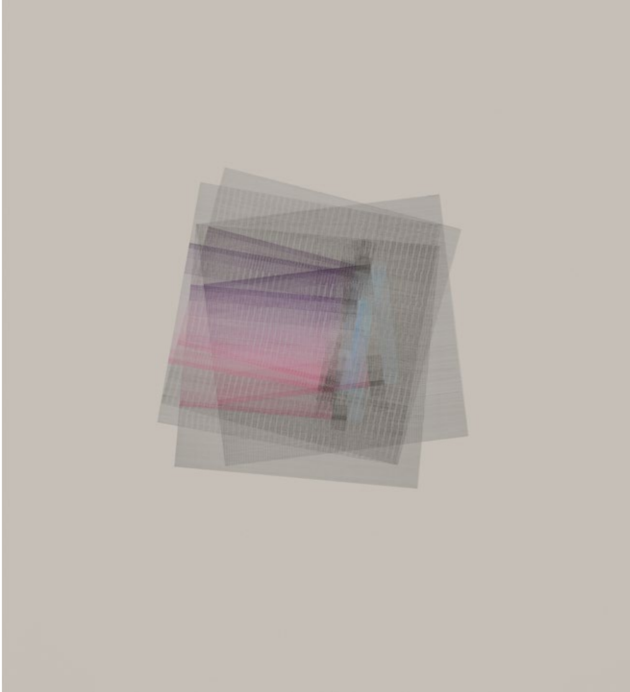
The aim is to nurture an increase in their overall wellbeing, skills, and competencies of the children, promoting positive school adjustment and equipping them for life at school and beyond. Expressive arts can help increase efficacy of communication between educators and their students, and help educators foster classrooms as safe spaces for children to express themselves.

In addition to running workshops, the team has developed a 'train-the-trainer' model to help familiarise educators with the application of expressive arts and art therapy-led techniques within an education setting, equip them with the relevant skills and knowledge to implement different expressive arts activities and help further their understanding of the importance of arts in childhood development.

SAF also recognises the importance of relieving the pressures associated with providing care to children with SENs, which can have a profound psychological impact on caregivers. Make It Better works to support the mental health and wellbeing of these caregivers, especially when it comes to managing emotions, reducing stress, building resilience, and cultivating peer support. They also focus on helping strengthen the parent-child relationship.

**www.SovereignArtFoundation.com**

# Winners of the 2023 Sovereign Art Prizes in Asia, Africa and Portugal



*Notes on Movement- Layer #115*
Parul Guptav
The 2023 Sovereign Asian Art Prize Grand Prize Winner

*Conselhos para meu eu quando jovem*
Cássio Markowski
The 2023 Sovereign Portuguese Art Prize Grand Prize Winner

*La Ballade Noctambule*
Famakan Magassa
The 2023 Norval Sovereign African Art Prize Art Prize Grand Prize Winner

## WANT TO FIND OUT MORE?

For more information on any of the services provided by the Sovereign Group, please visit our website at SovereignGroup.com, or contact your most convenient Sovereign office.

## SOVEREIGN OFFICES

### ASIA

**HONG KONG**
Tel: +852 2542 1177
hk@SovereignGroup.com

**SINGAPORE**
Tel: +65 6222 3209
sg@SovereignGroup.com

### CARIBBEAN

**BAHAMAS**
Tel: +1 242 322 5444
bh@SovereignGroup.com

### EUROPE

**CYPRUS**
Tel: +357 25 733 440
cy@SovereignGroup.com

**GIBRALTAR – TRUST & PENSIONS**
Tel: +350 200 76173
gib@SovereignGroup.com

**GIBRALTAR – MARINE SERVICES**
Tel: +350 200 51870
marine@SovereignGroup.com

**GIBRALTAR – INSURANCE SERVICES**
Tel: +350 200 52908
sis@SovereignGroup.com

**GIBRALTAR – WEALTH MANAGEMENT**
Tel: +350 200 41054
sw@SovereignGroup.com

**GUERNSEY – TRUST & PENSIONS**
Tel: +44 1481 811000
ci@SovereignGroup.com

**ISLE OF MAN – TRUST & PENSIONS**
Tel: +44 1624 699 800
iom@SovereignGroup.com

**MALTA – TRUST & PENSIONS**
Tel: +356 21 228 411
ml@SovereignGroup.com

**PORTUGAL**
Tel: +351 282 340 480
port@SovereignGroup.com

**SWITZERLAND**
Tel: +41 21 971 1485
ch@SovereignGroup.com

**UNITED KINGDOM, LONDON**
Tel: +44 20 7389 0555
uk@SovereignGroup.com

**UNITED KINGDOM – AVIATION SERVICES**
Tel: +44 20 7389 0555
rana@SovereignGroup.com

**UNITED KINGDOM, CHESTER**
Tel: +44 151 328 1777
ukcorporate@SovereignGroup.com

### MIDDLE EAST & AFRICA

**BAHRAIN**
Tel: +973 1777 2011
bahrain@SovereignGroup.com

**MAURITIUS**
Tel: +230 244 3210
mu@SovereignGroup.com

**OMAN**
Tel: +968 2 447 621
info@propartnergroup.com

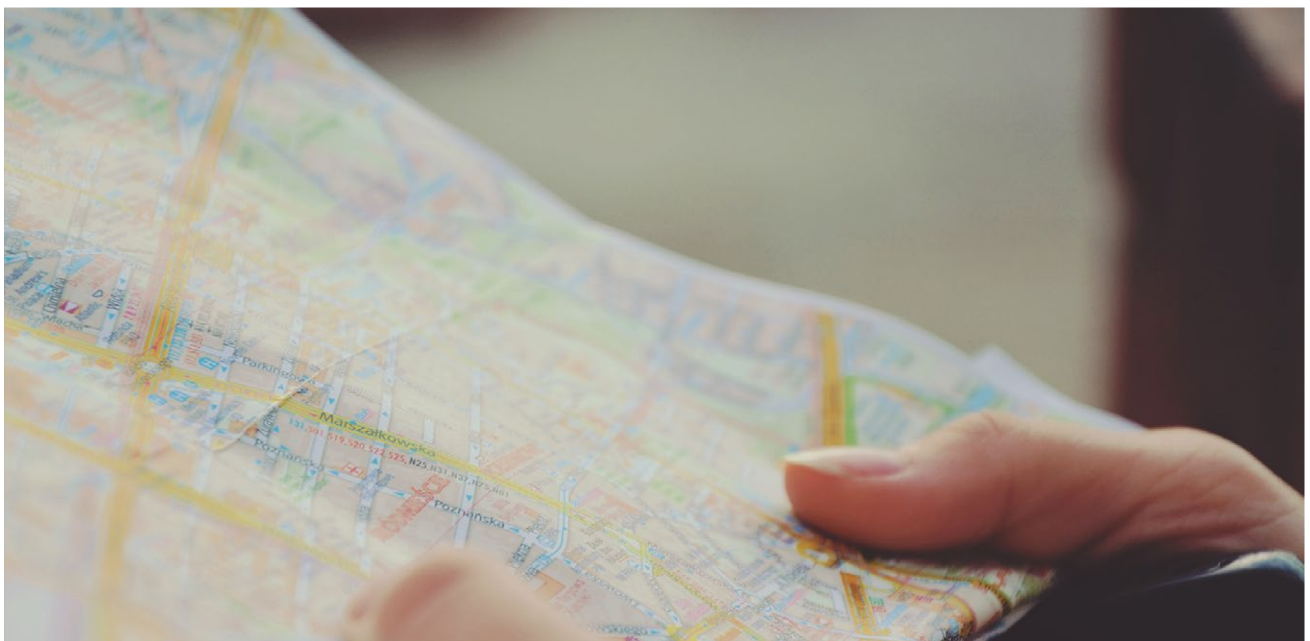
**QATAR**
Tel: +974 4478 8765
info@vpqatar.com

**SAUDI ARABIA**
Tel: +966 114 537 7096
ksa@SovereignGroup.com

**SOUTH AFRICA**
Tel: +27 21 418 2170
sact@SovereignGroup.com

**UNITED ARAB EMIRATES, ABU DHABI**
Tel: +971 2 418 7640
ad@SovereignGroup.com

**UNITED ARAB EMIRATES, DUBAI**
Tel: +971 4 270 3400
dubai@SovereignGroup.com




The material set out herein is for information purposes only and does not constitute legal or professional advice. No responsibility will be accepted for loss occasioned directly or indirectly as a result of acting, or refraining from acting, wholly or partially in reliance upon information contained herein.
Photocopying this publication is illegal.
**®Sovereign Media (IOM) Limited 2024**