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Business

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PARIS: An illustration picture in Paris shows apps for Google, Amazon, Facebook, Apple (GAFA) and the reflection of a binary code displayed on a tablet screen. The OECD published yesterday, its suggestions for a "unified approach" on fairly taxing digital giants to break a deadlock in a dispute that has raised tensions between the United States and some EU allies. — AFP

MNCs risk heftier tax hit in major overhaul

Decades old tax rules outdated for internet age; Overhaul to hit tax havens

PARIS: Governments will get more power to tax big multinationals like Google, Apple and Facebook doing business in their countries under a proposed overhaul of decades-old rules. Big internet firms have pushed tax rules to the limit as they can book profit and park assets like trademarks and patents in low tax countries like Ireland wherever their customers are.

The drive for a global rule book has received new urgency as countries unilaterally adopt plans for a tax on digital companies over frustration with current rules.

This year more than 130 countries and territories agreed that a rewriting of tax rules largely going back to the 1920s was overdue and tasked the Paris-based Organization for Economic Cooperation and Development (OECD) to come up with proposals. "The current system is under stress and will not survive if we don't remove the tensions," OECD head of tax policy Pascal Saint-Amans told journalists.

The OECD expects the first sign of whether there is broad political support behind their proposals next week when finance ministers from the Group of 20 economic powers discuss them at a meeting in Washington. The overhaul would have an impact of a few percentage points of corporate income tax in many countries with no big losers apart from big international investment hubs, Saint-Amans said. While that means countries like Ireland or offshore tax havens could suffer, countries with big consumer markets like the United States or France would benefit from the shake-up.

France adopted its own national tax on digital companies this year, sparking US threats of tariff on French wine and adding to global trade tensions. Meanwhile, companies are facing increased uncertainty about their tax bills as countries challenge arrangements to pay tax in countries like Ireland rather than where their markets are.

Apple is locked in an EU tax dispute over profits booked in Ireland which could cost the iPhone maker $14 billion. Meanwhile, Google agreed last month to pay more than $1 billion to settle a tax case in France. Amazon, which the European Union has told to pay about 250 million euros in back taxes to Luxembourg, said the OECD proposals were an "important step forward". Shares in Apple, Alphabet, the parent company of Google, Facebook and Amazon opened higher on Wednesday as latest media reports raised hopes of progress in trade talks between the United States and China.

Tax revolution

The OECD proposals set a scope for the companies that would be covered by the new rules, define how much business they must do in a country to be taxable there and determine how much profit can be taxed there. The aim is to give the government where the user or client of a company's product is located the right to tax a bigger share of the profit earned by a foreign company there.

Companies affected would be big multinational firms operating across borders with the OECD suggesting they should have revenue of over 750 million euros ($821 million). They would also have to have a "sustained and significant" interaction with consumers in a country's market, regardless of whether they have a physical presence there or not. Not only would big internet companies be covered, but also big consumer firms that sell retail products in a market through a distribution network, which they may or may not own.

Companies meeting those conditions would then be liable for taxes in a given country, according to a formula based on set percentages of profitability that remain to be negotiated. A French Finance Ministry official said that the Washington meeting should give "the needed political steer in order to achieve an agreement on international taxation in 2020". — Reuters

Boubyan Bank posts net profits of KD 45m for period ended 30 Sept

KUWAIT: Boubyan Bank has announced net profits of KD 45 million for the period ended 30 September 2019, at a growth rate of 12 percent compared the previous year, with an earnings per share of 15.25 fils compared to 14.20 fils for the same period in 2018.

Adel Abdul Wahab Al-Majed, the Bank's Vice-Chairman & Chief Executive Officer, commented on such positive results by stating: "Thanks to Allah, the Almighty, the efforts of our staff, and the trust of our customers, we managed to achieve great results during this period despite the increasing challenges which made us determined more than ever to add more achievements."

He added: "This is a special year as we celebrate the bank's 15-year anniversary, and as it marks a 10-year milestone since the start of our transformation strategy back in 2009, leading to this level of excellence."

"Q3 has been the most remarkable quarter of this year owing to the number of awards received by the bank whether for its services, products, or corporate social responsibility in addition to a special award received by the bank in the Human Resources domain," Al-Majed added.

Boubyan was named the Best Islamic Digital Bank in the Middle East by Global Finance. Additionally, the bank received another four awards, namely, the Best Islamic Digital Bank in Kuwait, the Best Mobile Banking App in Kuwait, the Most Innovative Digital Bank in Kuwait, and the Best Innovation in IMAL Technology. Furthermore, the Noor Boubyan Initiative for eyesight-restoration operations in Africa was named the Best Social Humanitarian Initiative at the GCC level, and the bank received the GCC's Award for the "Replacement and Nationalization of Manpower in Kuwait".

Growth of all indicators

Al-Majed stated that all of the Bank's main indicators witnessed a remarkable growth until September 2019 where the total assets increased to KD 5 billion at a growth rate of 18 percent while the operating income increased to KD 109 million at a growth rate of 4 percent in addition to the increase in customers' deposits by 14 percent, to reach KD 4.1 billion.

He further added that the total equity of the bank increased to KD 567 million compared with KD 396 million last year and that there was a notable increase in the financing portfolio to KD 3.6 billion with a growth rate of 14 percent in addition to the continuous growth in the bank's customers' base.

Al-Majed stated as well that the market share, in financing, increased to approximately 9 percent in the meantime, while Boubyan Bank's share of the retail finance increased to approximately 12 percent. Besides, the bank recorded outstanding growth in the corporate credit portfolio which grew by 16 percent. This was achieved by attracting a number of operational companies known for their financial and economic creditworthiness while continuing to maintain the highest standards of credit quality, monitoring and diversifying risks.

Boubyan Bank's Key Financial Indicators
In KD Million

Indicator	September 2019	September 2018	Growth
Net profits	45	40	12%
Operating income	109	105	4%
Customers' deposits	4,102	3,594	14%
Financing portfolio	3,637	3,193	14%
Assets	5,033	4,253	18%

Adel Abdul Wahab Al-Majed

Greece in first-ever negative interest rate sale: PM

ATHENS: Greece, which needed three international bailouts earlier this decade, joined yesterday the growing ranks of countries able to sell debt at negative interest rates. "A few minutes ago I was informed that Greece borrowed money at a negative interest rate for the first time ever," Prime Minister Kyriakos Mitsotakis told parliament according to state agency ANA.

The Greek debt agency had earlier announced it had sold a batch of 3-month treasury bills at -0.02 percent, compared to 0.095 percent in an equivalent sale in August.

A growing number of countries are selling bonds at negative interest rates, when investors effectively pay for governments to hold their money, as monetary authorities have slashed borrowing costs in an attempt to boost the economy. Greece, which saw the yields on its 10-year bonds soar over 40 percent in the secondary market at one point earlier this decade, was able to place on Tuesday 1.5 billion euros at that maturity at a rate of return for investors of 1.5 percent.

As Greece's economy has begun to rebound and the government has kept its finances in check, the country's borrowing costs have fallen, although they remain far above those for its eurozone counterparts. Both Germany and France are able to borrow for 10 years at negative yields, while the yields on Italy's 10-year bonds is roughly 0.87 percent.

Greece expects its economy to grow by 2.8 percent in 2020 whilst respecting fiscal pledges to the country's creditors, a draft budget released Monday said. —AFP