

The FBC Weekly Briefing - Covid-19 Outbreak

04 JUNE 2020

This edition at a glance...

- The Central Bank of the UAE issued guidance to financial institutions on the application of International Financial Reporting Standard 9 (IFRS 9) to ensure that credit losses due to Covid-19 are appropriately calculated.
- Dubai announced shopping malls and private sector allowed to operate at 100% capacity from 3rd June.
- Sharjah Government initiates AED4 billion liquidity support to counter economic impact of Covid-19.
- Saudi Arabia transfers \$40bn to Public Investment Fund to capitalise on opportunities amid Covid-19.
- Kuwait extends residency permits, visas of expats for three months.
- A [recent ruling from the Court of Appeal in Colmar](#), France, has qualified the Covid-19 pandemic as a force majeure event. This was a first of its kind judgment.
- We should expect to see oil and gas majors moving quickly to both streamline operating costs and maximize efficiency.



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| IMPACT OF COVID-19 ON THE GCC ECONOMIES & ECONOMIC STIMULUS PLANS



| UAE - COVID-19's IMPACT, RESPONSE TO THE CRISIS AND STIMULUS PACKAGES

| UAE

The Federal Authority For Government Human Resources, FAHR, has announced return to work in all federal ministries, authorities and institutions as of Sunday 31st May 2020 and at a maximum 30 percent capacity of the total employees. The percentage will increase gradually, based on updates on new developments. The decision, which was circulated to all federal government entities, comes within the framework of enhancing continuity of government work, the gradual return of employees and provision of government services, in parallel with the implementation of remote work system for the excluded employees. The decision stresses that all preventive and precautionary measures to contain the spread of coronavirus, COVID-19, must be adhered to.¹

UAE Central Bank issues financial reporting guidance to calculate Covid-19 credit losses. The regulator proposed 'practical solutions' to manage economic uncertainty while complying with IFRS 9. The Central Bank of the UAE issued guidance to financial institutions on the application of International Financial Reporting Standard 9 (IFRS 9) to ensure that credit losses due to Covid-19 are appropriately calculated. The guidance for complying with IFRS 9 – a global accounting standard applied to financial instruments – was issued after a consultation with stakeholders, the central bank said in a statement on Saturday.²

Go through the UAE economic stimulus packages to combat Covid-19

[CLICK HERE](#)

1 <https://www.wam.ae/en/details/1395302844923>

2 <https://www.thenational.ae/business/banking/uae-central-bank-issues-financial-reporting-guidance-to-calculate-covid-19-credit-losses-1.1026602>

3 <https://www.mediaoffice.ae/en/news/2020/June/02-06/High-Committee>

4 <https://www.thenational.ae/lifestyle/travel/bookings-now-open-for-emirates-flights-to-12-arab-countries-departing-from-july-1.1026256>

| DUBAI

Under the directives of Mohammed bin Rashid, Supreme Committee of Crisis and Disaster Management: shopping malls and private sector allowed to operate at 100% capacity from 3rd June. Move aims to enable private sector to resume normal activity while comprehensive precautionary measures are enforced. Wearing face masks, observing physical distancing and using sanitisers mandatory for visitors and employees. Companies and shopping malls to be monitored for compliance with precautionary measures. Private sector employees suffering from respiratory conditions and those with compromised immunity advised to continue working remotely.³

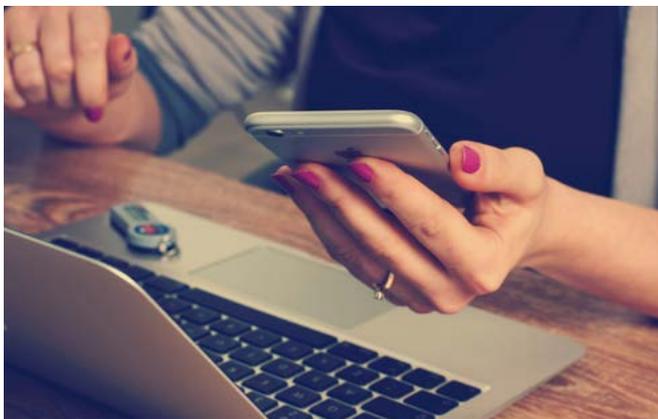


Emirates has opened bookings for flights to 12 Arab countries, with the routes from Dubai resuming from July. Flights to destinations including Saudi Arabia, Kuwait, Oman, Egypt, Bahrain, Iraq, Morocco, Tunisia, Algeria, Lebanon, Sudan and Jordan are now available to book for dates after July 1 on the airline's website. In total, 16 of the airline's services are set to resume.⁴

Emirates Airline spokesperson stated: "During these difficult times, and although we have slowly started our return to the skies by keeping in line with the safety measures. The current pandemic has impacted many industries around the world and although we have endeavored to sustain the current family as is, we reviewed

all possible scenarios in order to sustain our business operations, but have come to the conclusion that we unfortunately have to say goodbye to a few of the wonderful people that worked with us. We continuously are reassessing the situation and will have to adapt to this transitional period. We do not view this lightly, and the company is doing everything possible to protect jobs wherever we can. Where we are forced to take tough decisions we will treat people with fairness and respect. We will work with impacted employees to ensure they are looked after and taken care of with necessary means.”⁵

Dubai SME rolls out new measures to support entrepreneurs and start-ups. Dubai SME, the government body tasked with the development of small and medium-sized enterprises, rolled out a series of initiatives to support start-ups and entrepreneurs in Dubai to ride out the pandemic-driven economic slowdown. The new measures include postponement of rent payments, easier access to SME financing and remote assistance on successfully navigating operational challenges, it said in a statement on Monday 2nd June 2020.⁶



Dubai Chamber analysis examines changing consumer behaviours in Covid-19 era. Online searches for e-groceries surged 316% y-o-y in April amid an imposed lockdown. UAE residents also sought out distance learning, office furniture and staycation options during time spent at home. Restrictions imposed to contain the Covid-19 outbreak in the UAE have led to significant changes in consumer behaviours in

the country, according to new analysis published by Dubai Chamber of Commerce and Industry.⁷

Dubai Future Foundation report explores future of retail post-COVID-19. The Dubai Future Foundation, DFF, has released its latest report titled “Life After COVID-19: Retail” which showcases online retailers and e-commerce platforms experiencing dramatic growth as consumers avoid shopping malls in response to COVID-19. The report, launched within the Foundation’s “Life after COVID-19” series and includes eight reports to date, and tackles the different challenges and opportunities that the UAE and the Arab world will face in the aftermath of the global health crisis. The report highlighted examples where online sales are on the rise. Dubai-based Majid Al Futtaim, MAF, which operates 24 shopping malls, such as Mall of the Emirates, has seen a surge in online sales, with a 59 percent year-on-year increase in online customers in March 2020. Saudi Arabian retailer bin Dawood Holding has seen a 200 percent increase in its online sales since the escalation of the COVID-19 crisis.⁸

| ABU DHABI

Abu Dhabi sets up permit system for travel in and out of emirate, as ban comes in. Abu Dhabi Police brought in a permit system allowing residents to enter and leave the emirate on Tuesday 2nd June 2020. The mechanism - for essential travel only - was put in place as a one-week ban on travel came into effect. For the next seven days, residents of Abu Dhabi city, Al Ain and Al Dhafra can travel within their cities but not leave them – and cannot go to other emirates. The travel ban does not prevent people from leaving their homes – and the permit is not needed for shopping, going to work, leisure activities or otherwise.⁹

Abu Dhabi’s ADFD pledges Dh1bn to support Emirati-owned businesses amid Covid-19. The fund will provide loans for businesses operating in sectors including healthcare, food security and manufacturing. The decision, which was

5 <https://www.mediaoffice.ae/en/news/2020/May/31-05/Statement-by-Emirates-Airline>

6 <https://www.thenational.ae/business/dubai-sme-rolls-out-new-measures-to-support-entrepreneurs-and-start-ups-1.1027373>

7 <https://www.mediaoffice.ae/en/news/2020/June/02-06/Dubai-Chamber-analysis-examines-changing-consumer-behaviour>

8 <http://wam.ae/en/details/1395302845347>

9 <https://www.thenational.ae/uae/transport/coronavirus-abu-dhabi-sets-up-permit-system-for-travel-in-and-out-of-emirate-as-ban-comes-in-1.1027654>

circulated to all federal government entities, comes within the framework of enhancing continuity of government work, the gradual return of employees and provision of government services, in parallel with the implementation of remote work system for the excluded employees. The decision stresses that all preventive and precautionary measures to contain the spread of coronavirus, COVID-19, must be adhered to.¹⁰

Abu Dhabi allows up to 35 per cent of government staff back to offices. Employees will have to undergo temperature checks and scan QR codes on their phones before entering workplaces. No more than 35 per cent of staff will be permitted to work from government offices in Abu Dhabi and employees will have to scan QR codes on their phones when they enter the building. The guidance, announced by the Abu Dhabi Government Media Office, came as employees across the country returned to their workplaces on Sunday 31st May 2020.¹¹



The Abu Dhabi Department of Economic Development rolled out a new programme to support import and export companies facing challenges during the Covid-19 crisis. The department said it will liaise with affected companies to understand how the current global economic challenges are impeding their operations and then extend the appropriate support in line with relevant government and semi-government entities.¹²

| SHARJAH

Sharjah Government initiates AED4 billion liquidity support to counter economic impact of COVID-19. The Sharjah Finance Department,

SFD, recently established a framework worth AED4 billion to enhance liquidity for the banking system in the emirate. The move aims to provide additional financial assistance to all businesses impacted by the outbreak of COVID-19. “Issued as 12 month dirham-denominated paper in several tranches, the Sharjah Liquidity Support Mechanism, SLSM, Sukuk represents the first rated short term local currency tradeable instrument in the UAE, which can be used for liquidity management by banks,” SDF said in a statement on Tuesday. “This paper has a short term investment grade rating of A-2 by Standard & Poor’s rating agency,” it added.¹³

| RAS AL KHAIMAH

Public beaches and malls in Ras Al Khaimah to reopen from Thursday 4th June 2020. The Ras Al Khaimah Department of Economic Development has unveiled reopening procedures in line with other emirates that have relaxed stay-home orders and lifted curbs on trade and travel to bolster the economy. Malls will operate from 10am to 8pm at 30 per cent capacity, but will deny entry to visitors aged above 60 or below 12. Cinemas, gyms, entertainment venues, common seating areas and prayer rooms within malls will remain closed.¹⁴

Major malls reopen in RAK with COVID-19 safety moves. With all safety measures, including the sanitisation guidelines approved by the government for the residents, two major malls in Ras Al Khaimah have been reopened. Benoy Kurien, Group CEO of Al Hamra said, “As per the directives of the Ras Al Khaimah Department of Economic Development, we have reopened our two shopping malls — Al Hamra Mall and Manar Mall in Ras Al Khaimah, which will operate from 10am till 10pm.”¹⁵

Ras Al Khaimah cuts licence fees and waives fines to support businesses amid Covid-19. The emirate’s free zone launched several incentives such as an exemption from licence renewal fees and a discount in residency visa charges to support businesses. Ras Al Khaimah is discounting administrative fees and waiving

10 <https://www.wam.ae/en/details/1395302844923>

11 <https://www.thenational.ae/uae/health/coronavirus-abu-dhabi-allows-up-to-35-per-cent-of-government-staff-back-to-offices-1.1026805>

12 <https://www.thenational.ae/business/economy/abu-dhabi-government-offers-support-for-import-and-export-firms-amid-covid-19-1.1026579>

13 <https://www.wam.ae/en/details/1395302845926>

14 <https://www.thenational.ae/uae/public-beaches-and-malls-in-ras-al-khaimah-to-reopen-from-thursday-1.1025765>

15 <https://www.gulftoday.ae/news/2020/06/01/major-malls-reopen-in-rak-with-covid-19-safety-moves>



finances as part of a stimulus package to support businesses amid the coronavirus pandemic and ensure business continuity. Some of the measures include extending the licence renewal period for 60 days from the date of expiry,

16 <https://www.thenational.ae/business/ras-al-khaimah-cuts-licence-fees-and-waives-fines-to-support-businesses-amid-covid-19-1.1026645>

| KSA - COVID-19'S IMPACT, RESPONSE TO THE CRISIS AND STIMULUS PACKAGES

Restaurants and coffee shops in Saudi Arabia have reopened their dine-in sections to customers after more than two months of closure as a part of the lockdown imposed by the government to limit the spread of coronavirus disease (COVID-19). The reopening comes as a part of the second phase of a government plan, announced on May 26, to resume economic activity and gradually return to normal. The second phase reduces the curfew and increases time allowed for people to venture out to 14 hours a day, and permitted the resumption of domestic flights.¹

Saudi Arabia transfers \$40bn to Public Investment Fund to capitalise on opportunities amid Covid-19. The country's finance minister says returns from PIF's global investments will be available to support public finances when needed. Saudi Arabia transferred 150 billion Saudi riyals (\$40bn/Dh146.52bn) from its central bank's foreign exchange reserves to its sovereign wealth fund in March and April, as it seeks to boost economic growth and take advantage of investment opportunities that have materialised amid the coronavirus outbreak. The transfers from the Saudi Arabian Monetary

1 <https://www.arabnews.com/node/1682846/saudi-arabia>
 2 <https://www.thenational.ae/business/economy/saudi-arabia-transfers-40bn-to-public-investment-fund-to-capitalise-on-opportunities-amid-covid-19-1.1026499>
 3 <https://www.kallanish.com/en/steel-news/market-reports/article-details/saudi-to-apply-maximum-permitted-customs-duties-on-steel-0520/>
 4 <https://www.ameinfo.com/industry/finance/kpmg-m-and-a-activity-in-gcc-region-to-gain-pace-amid-covid-19>

waiving the marketing fees for two months, and exempting businesses from penalties for late payment of fees, the emirate's government said in a statement on Saturday 30th May 2020.¹⁶

Authority to the Public Investment Fund were made "exceptionally", to maximise the returns on the kingdom's assets and reduce the negative effects of the Covid-19 pandemic, finance minister Mohammed Al Jadaan said, according to a Saudi Press Agency report on Friday.²

Saudi Arabia plans to increase customs duties on a variety of steel products to the maximum "bound rates" permitted by the World Trade Organisation. Effective 10 June, the customs duty on billet will rise from 5% to 10%, the tariff on hot rolled flat products will increase from 5% to 10-15%, depending on the product, and on coated flats from 5% to 12-15%, depending on the product. The tariff on wire rod will hike from 10% to 20%, and on rebar will grow from 10% to 15%. The full list of products affected is available from Saudi Customs.³

M&A activity in GCC region to gain pace amid COVID-19. Merger and acquisition (M&A) activity in Saudi Arabia and other Gulf countries are expected to increase amid the Covid-19 pandemic as small and medium enterprises (SMEs), and several large corporates will look for equity via capital injections to satisfy working capital needs, according to Ali Maabereh, Head of M&A at KPMG in Saudi Arabia.⁴



| KUWAIT - COVID-19'S IMPACT, RESPONSE TO THE CRISIS AND STIMULUS PACKAGES

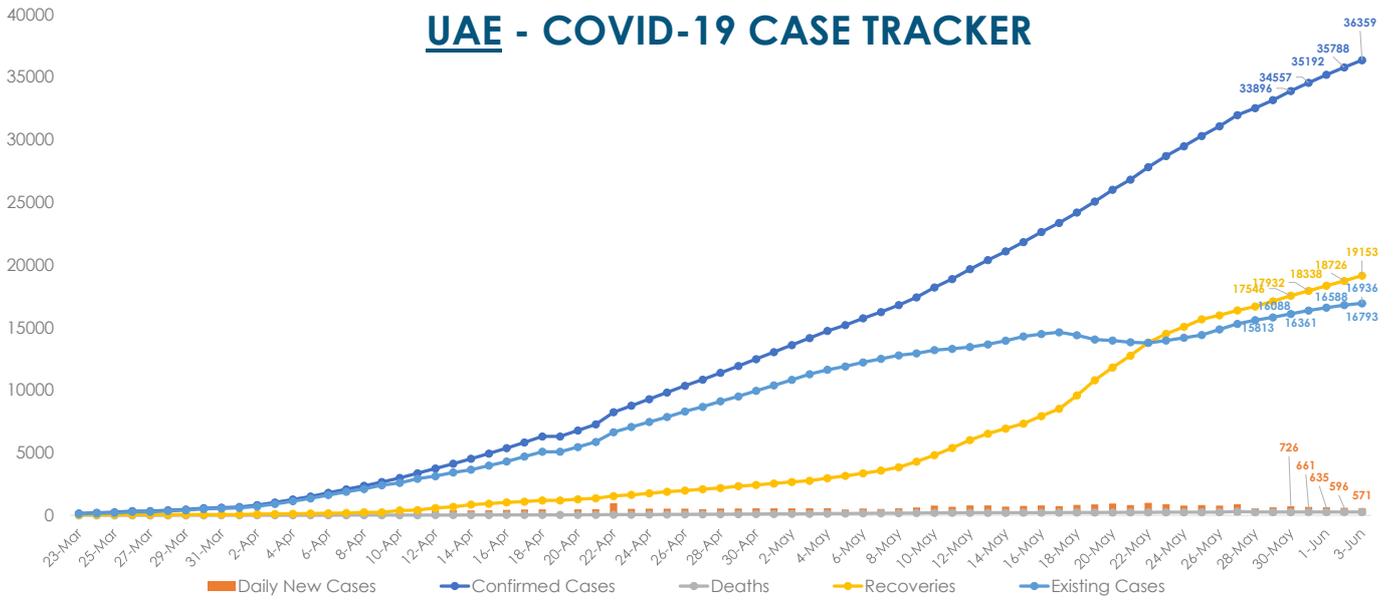
Kuwait extends residency permits, visas of expats for three months. Kuwait has extended the residency permits and visas of all migrants in the country for up to three months, the state news agency has reported. The country's interior

ministry announced the new resolution that will cover visas and permits due to expire in June.¹

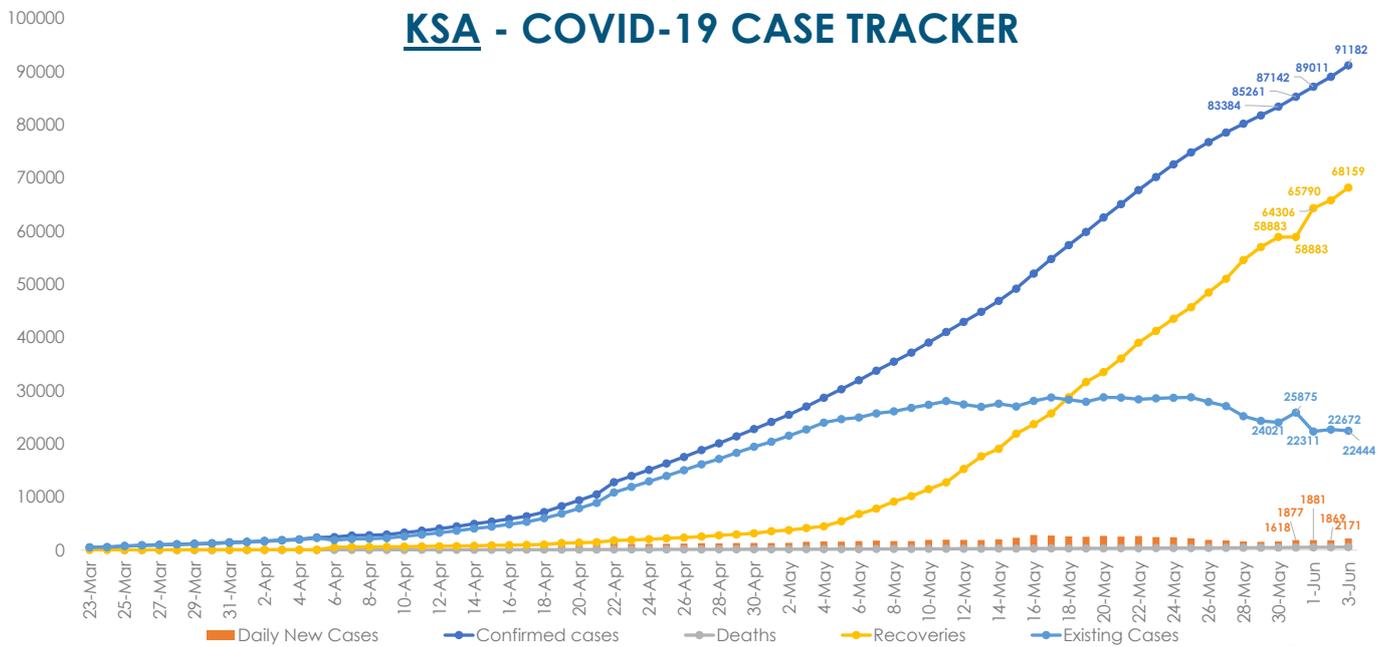
Kuwait has started implementing a five-phased plan to reopen the economy completely by mid-September. The country had imposed a complete curfew from May 10-30 to curb the spread of the coronavirus.²

1 <https://www.arabnews.com/node/1683526/middle-east>
 2 <https://gulfbusiness.com/kuwait-begins-phased-plan-to-reopen-economy-over-a-million-expats-remain-in-lockdown/>

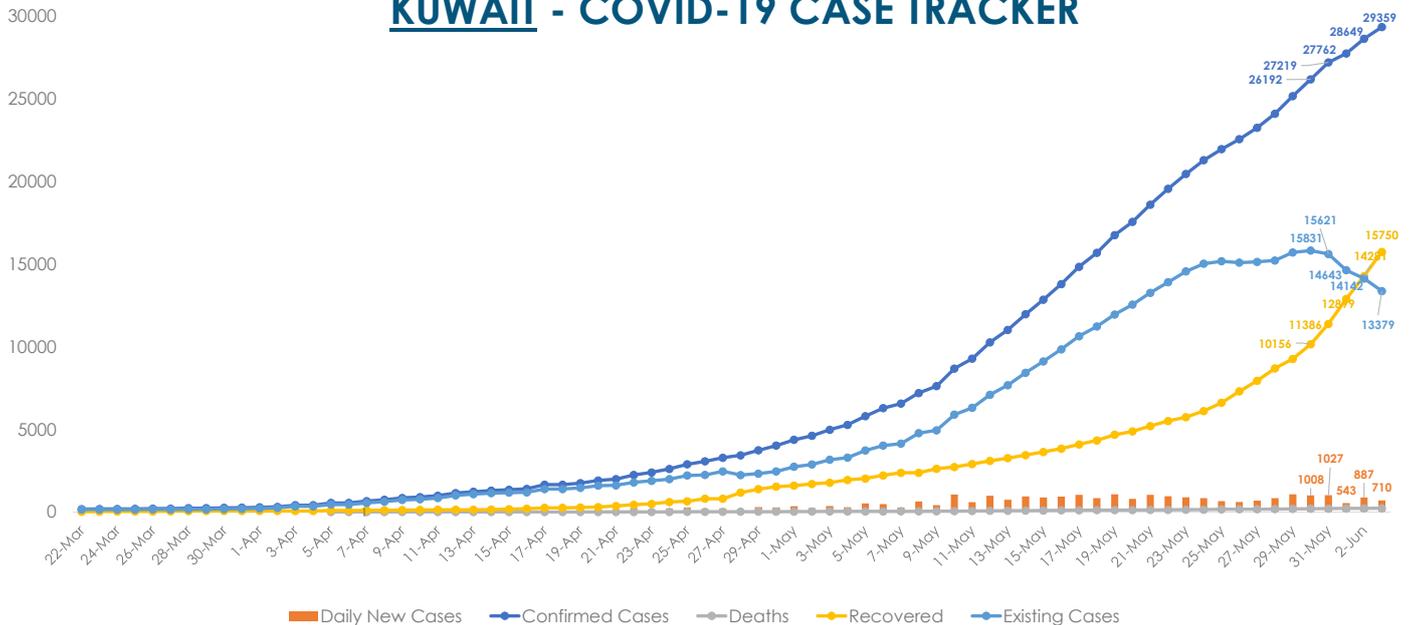
UAE - COVID-19 CASE TRACKER



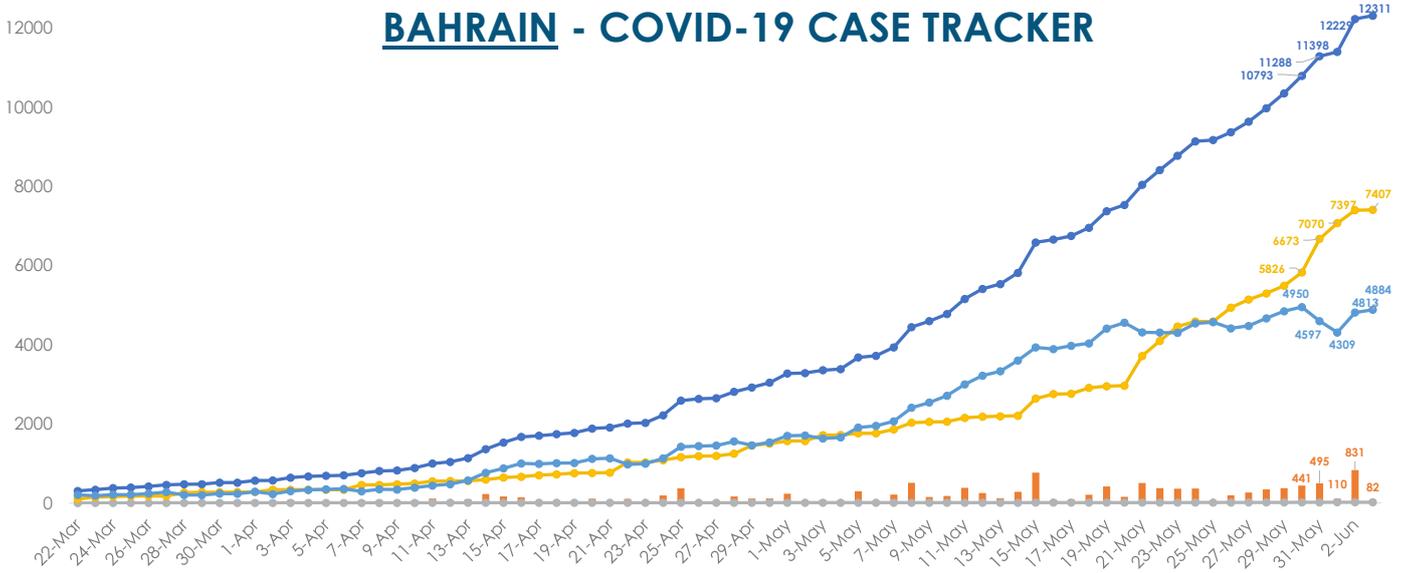
KSA - COVID-19 CASE TRACKER



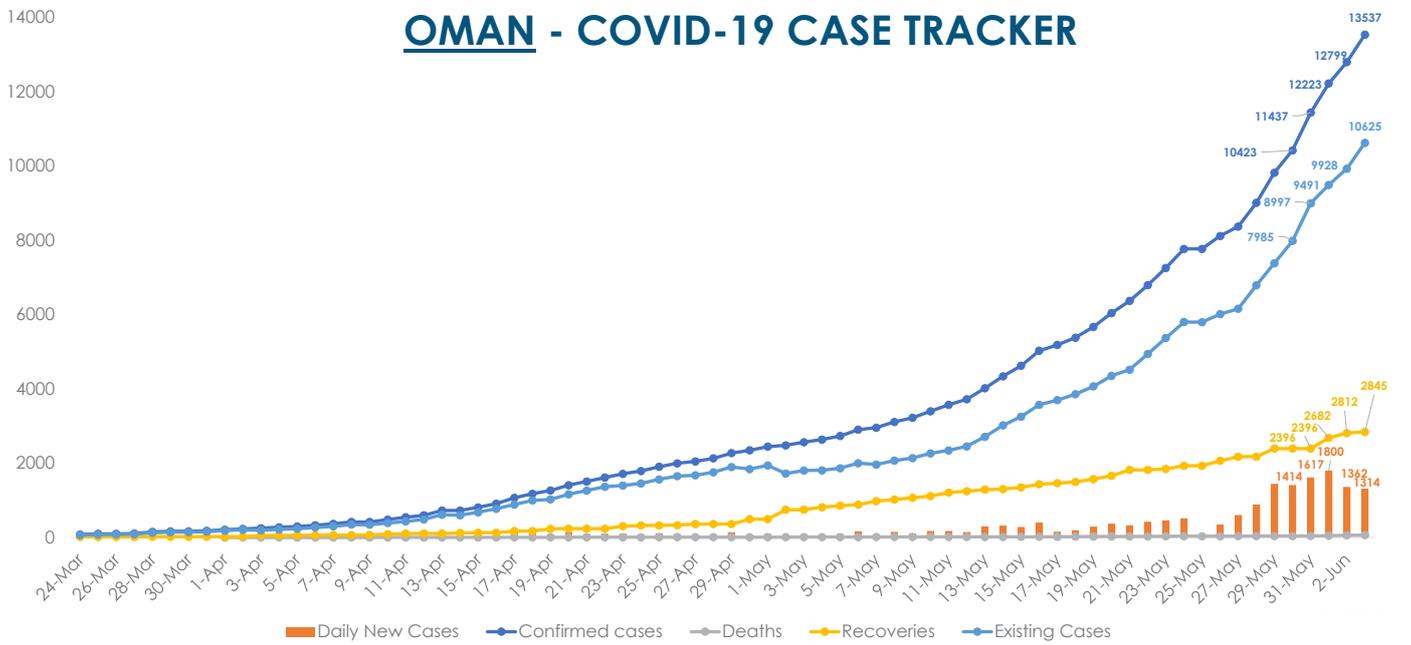
KUWAIT - COVID-19 CASE TRACKER



BAHRAIN - COVID-19 CASE TRACKER

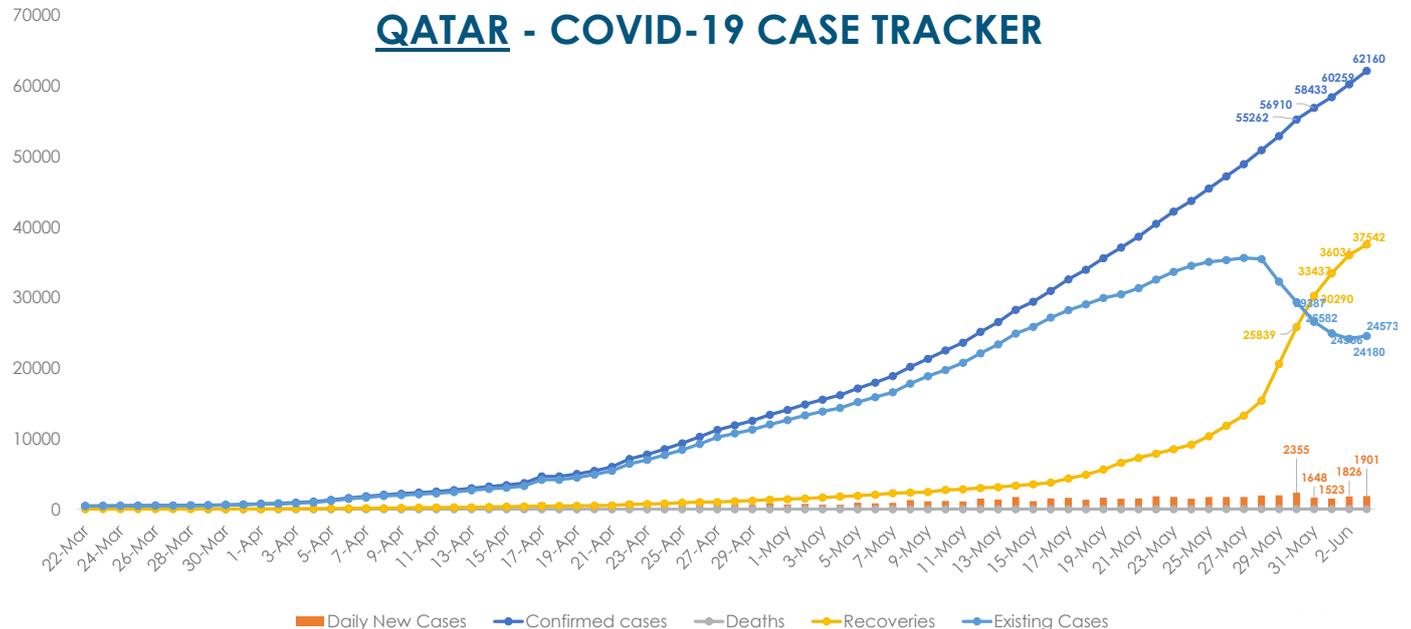


OMAN - COVID-19 CASE TRACKER



Legend: Daily New Cases (orange bar), Confirmed cases (dark blue line), Deaths (grey line), Recoveries (yellow line), Existing Cases (light blue line)

QATAR - COVID-19 CASE TRACKER



Legend: Daily New Cases (orange bar), Confirmed cases (dark blue line), Deaths (grey line), Recoveries (yellow line), Existing Cases (light blue line)

Covid-19 | Arab Courts and recent Colmar Court of Appeal (France) ruling regarding Force Majeure

Some say that the principle of force majeure should be applied in the current crisis, as the conditions of a force majeure event are met: sudden, unpredictable and impossible to prevent.

Therefore, a contracting party may be exempted from fulfilling its contractual obligations citing to COVID-19, while the affected party may not claim compensation for damages sustained as a result of such breach of contract.

Others say that the theory of “unforeseen events” should be applied. Unlike in the case of force majeure, this theory does not lead to the cancellation of contractual obligations. In the event that the theory of “unforeseen events” is applied, the courts intervene by reducing the onerous obligation to a reasonable extent so that the losses are shared between the parties to the contract.

A [recent ruling from the Court of Appeal in Colmar, France](#), which was obtained by Baker McKenzie France, an associate firm of Baker McKenzie Habib Al Mulla (UAE), has qualified the COVID-19 pandemic as a force majeure event.

This was a first of its kind judgment in which the Court considered that the failure of the litigant to appear in the hearing, insofar as he had been

in contact with persons likely to be infected by the virus, cannot be overcome. The Court ruled that “these exceptional circumstances...constitute a force majeure event, being external, unforeseeable and irresistible.”

The judgment also demonstrated that no alternative measures allowed the litigant to attend the hearing even remotely.



Whether the Arab courts will follow the same approach and apply the jurisprudence and principles of force majeure events and “unforeseen events” to the COVID-19 pandemic, is yet to be seen. It should be noted that the French court issued the said judgment in relation to an administrative incident. However, nothing legally prevents the application of the same rules to contractual obligations.

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Saudi Arabia triples VAT rate to 15%: What companies should carefully consider and how it impacts their businesses

Saudi Arabia (KSA) has announced to triple the rate of VAT to 15%, which will come to effect on 1 July 2020. This is a significant rate increase and one of the fiscal measures taken by KSA Government to mitigate the negative effects of the COVID-19 pandemic and other macro-economic developments on public finance. The increased rate is expected to apply to all supplies of goods and services that are currently subject to the 5% VAT rate.

Companies should carefully consider how this impacts their businesses, particularly the following:

- An immediate point of attention for taxpayers affected by the rate increase is to **ensure that their systems are able to issue invoices and charge VAT at the new rate.**
- Taxpayers should also consider **how to treat goods and services that are supplied before 1 July 2020** whilst the invoice is issued or payment is given after 1 July 2020 or vice versa. Although no specific transitional provisions may be published to resolve such issues, Implementing Regulations contain transitional provisions drafted for similar situations resulting from the introduction of VAT on 1 January 2018.

- Taxpayers supplying goods or services to end-customers should **factor the VAT rate increase into their pricing** (and amend their marketing materials and other documentation).
- Taxpayers that are (partially) exempt or unregistered companies (such as passive holding companies) that are not entitled to recover their input tax in full, will face a **significant increase in the cost of doing business.**
- Taxpayers that provide **exempt or zero rate supplies should have sufficient evidence in place to support this VAT treatment.** Any error in this instance will not only lead to a significant VAT payment that may not be recovered from the customer, but may also lead to a heavy penalty of a maximum of 50% of the unpaid VAT (effectively increasing the rate to 22.5%). This is especially relevant for companies providing zero rated export services, an area where the tax authority has been very active and strict.

As a result of the above, some companies may need to reconsider their structure or transaction flows to minimize the impact of the rate increase.

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The Energy Sector

In the space of weeks, Covid-19 has transformed our world. We're feeling the impact of the pandemic, as families, communities, employees, and businesses. While we are all facing challenges right now, we also see opportunities to better support our customers in the Gulf.

Every sector is looking to adjust; however, the energy sector has to deal with a second challenge. Oil prices fell markedly in April, as demand from both consumers and industry dropped due to inactivity. There has been a rally mid-May, and prices are climbing. However, it remains to be seen how demand will pan out, given the pandemic.

The energy sector is the region's largest industry. We should expect to see oil and gas majors moving quickly to both streamline operating costs and maximize efficiency. This isn't a new trend; we've seen an increased interest in digitization since the last oil price fall in 2014. However, we expect that investments in technology will gather pace, given it's the fastest way to become both more efficient and agile.

This is evident in Abu Dhabi, where ADNOC was already leading in the race to become the oil and gas major of the fourth industrial age. ADNOC has invested in solutions such as 'digital twins' that help to both reduce costs while optimizing operations and maximizing asset performance (a digital twin is a virtual replica of a physical asset. The simulation recreates geometry and all other data elements to

create an exact likeness of that asset. You can explore virtually ways to improve the performance of oil and gas assets virtually, saving both money and time).

Thanks to its Panorama Digital Command Centre, ADNOC has generated over \$1 billion in business value over three years. The Panorama solution combines real-time information from ADNOC's 14 subsidiary and joint-venture companies, and then uses technologies such as analytical modeling, artificial intelligence and big data to generate best-case operational recommendations.

ADNOC is the best-in-class example of how oil and gas firms are using technology to adapt. I expect others to follow suit, and double down on their technology investments.

The one question which remains is how will the energy sector, and the wider economy in general, respond to the recovery? **We're already seeing regions such as Europe pivot towards a "green economy", with promises of increased investments in renewables and other technologies that will reduce our energy usage and carbon footprint. Will governments in the Gulf follow suit? The UAE has proved over and over its incredible ability to adjust its economy to meet the needs of future growth and demand. Will we see a greener, more sustainable region post 2020? I for one hope so.**



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