

# M&A in light of the evolving tax landscape in the Middle East

In recent years, the Middle East has experienced buoyant merger and acquisition (M&A) activity as the region diversifies away from its traditional oil and gas sectors into more contemporary industries, such as technology, real estate, infrastructure and green energy.

While dealmakers in the Middle East were less focused on transaction tax considerations in the past, this is now changing due to sweeping tax reforms. The introduction of Value Added Tax (VAT) and Corporate Income Tax (CIT), along with reforms in several countries, mark a turning point in the region's landscape. In this shifting environment, M&A transactions demand increased focus on tax, regulatory, and compliance issues, both pre and post-deal closing.

Historically, M&A transactions in the region have commonly taken the form of share sales or business and asset sales, however, joint ventures have gained increasing traction. Each transaction type presents its own nuances, making tax considerations essential, not just at the investment stage but throughout the entire life cycle, including exit strategies.

Key tax considerations for an M&A transaction usually entail the following:



## Tax due diligence

Tax due diligence is critical in any transaction, enabling the buyer to assess the target entity's tax position, including its compliance status and any potential tax liabilities. This helps the acquirer in making an appropriate offer to the seller, bearing in mind only key findings/exposures from the tax due diligence.



## Tax structuring

Given the evolving tax landscape in the region, it is vital to structure deals efficiently to avoid tax leakage at a later stage. Tax consequences of each potential structure will vary, and it is essential to assess all available options to zero in on the one that aligns best with the envisaged goals. Future tax implications must also be evaluated to ensure overall profitability throughout the deal's lifecycle.



## Review of financial model from a tax perspective

Ensuring that the correct tax modelling assumptions are included in the financial model can help unlock significant value in the context of a deal. In an increasingly competitive landscape this can often be the difference between winning a deal and losing it.



## Stamp duty, transfer taxes, local licensing and other reporting requirements

Several Middle Eastern countries levy stamp duties and transfer taxes on the sale of shares, assets and the execution of specified transaction documents. Further, there is a possibility of additional licensing and/or reporting requirements specific to each region. Hence, it is essential to be mindful of such factors while analyzing a potential transaction.



## Review of transaction documents

The final and most important leg of any deal is the execution of transaction documents. Transaction documents serve as a governing framework capturing the deal contours negotiated between the parties. It is essential to ensure that the transaction documents safeguard the interest of the parties (in particular the acquirer) by way of robust representations, warranties and indemnities. This makes it necessary to conduct a thorough review of the transaction documents to ensure there are appropriate protections built in against potential tax liabilities arising from the historical period.



Since a number of regional tax and regulatory laws are fairly new and still evolving, it is necessary to keep up to date with these developments. Alvarez & Marsal Tax is part of Alvarez & Marsal (A&M), a leading global professional services firm. A&M Tax is an independent tax group made up of experienced tax professionals dedicated to providing bespoke tax advice to clients across a broad range of industries.

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**If you are considering a potential acquisition/merger/divestment, please reach out to the team below:**

## KEY CONTACTS



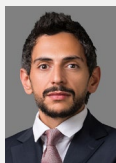
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