emirates chartered accountants group

Tax '22 July Updates

Tax updates

2022 June Edition

Message from the CEO

Dear Readers,

In the words of Martin Luther King Jr “*If you can’t fly then run, if you can’t run then walk, if you can’t walk then crawl, but whatever you do you have to keep moving forward*.”

Emirates Chartered Accountants Group recently organized a webinar for businesses, professionals, and industrialists in the UAE where the Key Aspects, Compliance, and the way forward were focused to pilot the Transfer Pricing [TP] scene in the UAE as businesses are required to comply with. It is vital that businesses across the UAE assess the impact of the introduction of the Corporate Tax and TP regime in the UAE timely and take charge for a smooth implementation. We strongly believe that our small steps such that webinars, seminars, newsletter etc. will help the business community in the UAE to update themselves on relevant regulatory changes.

G20, a strategic multifaceted platform connecting the world’s major developed and emerging economies are prioritizing Global Health, Digital Transformation, and Sustainable Energy Transformation to pave the way to a better economy, under the Presidency of Indonesia and is themed as *'Recover Together, Recover Stronger'*.

On the other hand, the Federal Reserve System [Fed] is doing its best to cease inflation and in order to curb it, the Fed has announced another three-quarter-point increase in the interest rates and the UAE has responded to a similar move. The quote from the UAE Central Bank, "The Base Rate, which is anchored to the US Federal Reserve’s IORB, signals the general stance of the CBUAE’s monetary policy. It also provides an effective interest rate floor for overnight money market rates."

We hope you enjoy reading our monthly edition of the Tax Updates as much as we remain committed to bringing you the latest news from around the GCC region.

CA. Manu Palerichal
CEO & Partner

Contents

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United Arab Emirates

Notice on Temporary Suspension of Export and Re-export of wheat and wheat flour

The export or re-export of wheat and wheat flour originating from the Republic of India, which was imported after May 13, 2022 has been temporarily banned vide Customs Notice No. (06/2022) issued on 30 June 2022.

Companies wishing to export / re-export wheat and wheat flour would be required to submit a request to the Ministry of Economy to obtain permission to export outside the UAE along with supporting documents to verify the origin of the shipment.

The permit is valid for only 30 days from issuance and must be submitted to Dubai Customs via

Amendment of Decision No. 3 of 2021

The Federal Tax Authority has amended Decision No. 3 of 2021 and released updated Decision No. 3 of 2022 on Implementing the marking of tobacco and tobacco products scheme.

This update specifies **prevention** of supply, transfer, storage or possession of cigarettes, electrically heated cigarettes and water pipe tobacco in the State (Local Market, Arrival and Departure Terminals) using marks with the old design from 31 December 2023.

Democratic Republic of the Congo Approves Pending Tax Treaty with the UAE

On 8 July 2022, the Cabinet of the Democratic Republic of the Congo approved the ratification of the pending income tax treaty with the United Arab Emirates.

The treaty, signed 12 October 2021, is the first of its kind between the two countries and will enter into force after the ratification instruments are exchanged.

UAE to introduce new gold import rules

The UAE will introduce a new set of regulations on gold imports in line with international rules that seek to thwart money laundering and the financing of terrorism and illegal organisations.

The guidelines were announced by the Ministry of Economy on Thursday and are the latest in a series of initiatives by the Emirates to enhance oversight of the trade and circulation of gold in line with international standards.

The regulations on gold imports will come into effect from January 2023. They have been drafted in accordance with guidance from the Organisation for Economic Co-operation and Development (OECD) and its corresponding protocol for gold.

New Platform for Reporting CRS FATCA information

On 17 May 2022, the UAE Ministry of Finance announced the go-live of the new Foreign Account Tax Compliance Act (**FATCA**) and Common Reporting System (**CRS**) reporting portal.

All UAE Reporting Financial Institutions ("**RFIs**") are required to register on the portal, which can be accessed through the link: https://fatcacrs.mof.gov.ae/

The reporting deadline is extended to August 15, 2022. as per the information on the portal.

In this regard, it is to be noted that all UAE RFIs must register on this new system, even if they had already been registered for reporting in previous FATCA and/or CRS reporting portals in the UAE.

For any technical queries regarding the portal, the UAE Ministry of Finance has instructed users to contact the technical support team via email: servicedesk@atc.co.ae.

Dubai issues decree to regulate the grant of 'Musataha' rights on use of commercial lands

His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, has issued Decree No. (23) of 2022 regulating the grant of 'Musataha' rights on commercial lands in Dubai.

The Decree regulates the use of commercial lands in Dubai by granting the right of 'Musataha' to develop real estate projects. The new legislation forms part of the emirate's efforts to consolidate Dubai's status as a preferred global real estate investment destination.

As per the Decree, the 'Musataha' agreement creates a real property right that entitles its holder to construct a building or invest in, mortgage, lease, sell, or purchase a plot of land belonging to a third party for a period of up to 35 years.

The agreement can be extended to a maximum of 50 years. The request for renewal has to be submitted two years ahead of the agreement's expiry date.

The holder of the agreement has to abide by a number of rules and regulations.

These include not changing the use of commercial land without obtaining the prior approval of the owner. Additionally, the holder of the agreement should register the agreement with the Dubai Land Department registry or the Dubai International Financial Centre (DIFC) registry.

The Dubai Land Department is mandated to specify the terms and conditions, and responsibilities of parties in 'Musataha' agreements. Its other functions include identifying commercial land plots for which 'Musataha' agreements can be signed, in coordination with relevant government entities.

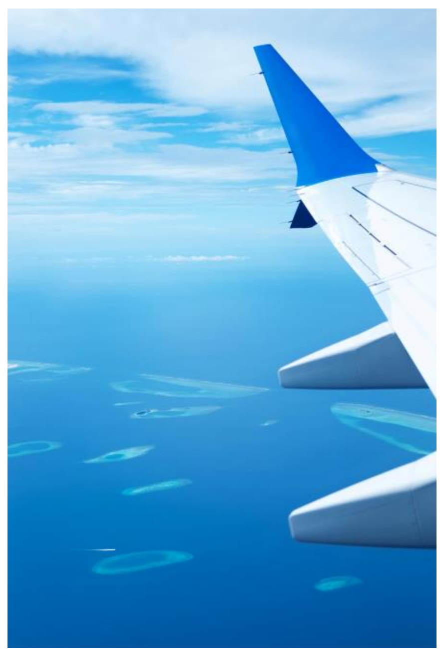
The Decree stipulates the establishment of a specific registry for 'Musataha' agreements at the Dubai Land Department. It also lists fines that will be charged for failure to issue a certificate of completion for projects built on commercial land under the purview of the agreement.

The UAE to Introduce Fines for Failure to Comply with the Emiratisation Quota

From January 2023, private sector companies with more than 50 employees that do not reach the Emiratisation quota will be subject to fines.

These new guidelines were authorized as part of the NAFIS programme, which is a federal government programme aimed at increasing UAE national participation in the private sector.

The penalties and incentives shall be based on the size of the establishment and extent of meeting Emiratisation criteria.



UAE and France sign Comprehensive Strategic Energy Partnership

On July 19, 2022, His Highness Sheikh Mohamed bin Zayed Al Nahyan, President of the United Arab Emirates and Ruler of Abu Dhabi signed two agreements in Paris.

- The first, a Comprehensive Strategic Energy Partnership (CSEP), which focuses on enhancing energy security, energy affordability, decarbonisation and climate action, ahead of the COP28. The 28th session of the Conference of the Parties (COP28) is set to take place in the UAE in 2023, and

- The second is a strategic partnership agreement between Abu Dhabi National Oil Company (ADNOC) and TotalEnergies to explore new opportunities for growth across the energy value chain. Under the terms of the second agreement, ADNOC and TotalEnergies will explore opportunities to collaborate in gas growth, carbon capture utilisation and storage, trading and product supply.

Kingdom of Bahrain

Tobacco products without digital stamps cannot be imported

In the final stages of implementing the digital stamp scheme, the National Bureau for Revenue ('NBR') recently announced that, effective 17 July 2022, all tobacco products entering customs ports must have digital stamps.

NBR has emphasized the importance of complying with the scheme, as NBR will take legal action, either by imposing fines or referring the case to the Prosecutor for legal action.

Kingdom of Saudi Arabia

ZATCA proposes to amend Transfer Pricing bylaws in the Kingdom of Saudi Arabia

On 4 July 2022. Zakat, Tax, and Customs Authority (ZATCA) released a public consultation paper with proposed amendments to the Transfer Pricing (TP) Bylaws in the Kingdom of Saudi Arabia (KSA).

Comments on the consultation paper are due by 30 July 2022. The proposed changes aims to bring Zakat payers in scope of transfer pricing rules.

This means Zakat payers will have the burden of proof to demonstrate that they have applied an acceptable method under Articles 6 and 9 of the Bylaws.

ZATCA proposed amendments to the RETT Implementing Regulations

The Zakat, Tax and Customs Authority (ZATCA) has proposed amendments to certain Articles of the Real Estate Transaction Tax ("RETT") Implementing Regulations.

The **proposed amendments** (available only in Arabic) were published on the Public Consultation Platform of the National Competitiveness Center on 27 June 2022 and feedback of taxpayers, stakeholders were to be submitted by 11 July 2022.

Amendments have been proposed by ZATCA to Articles 3, 6 and 12 of the RETT Implementing Regulations with a focus on clarifying RETT treatment for certain transactions including for financial services sector.

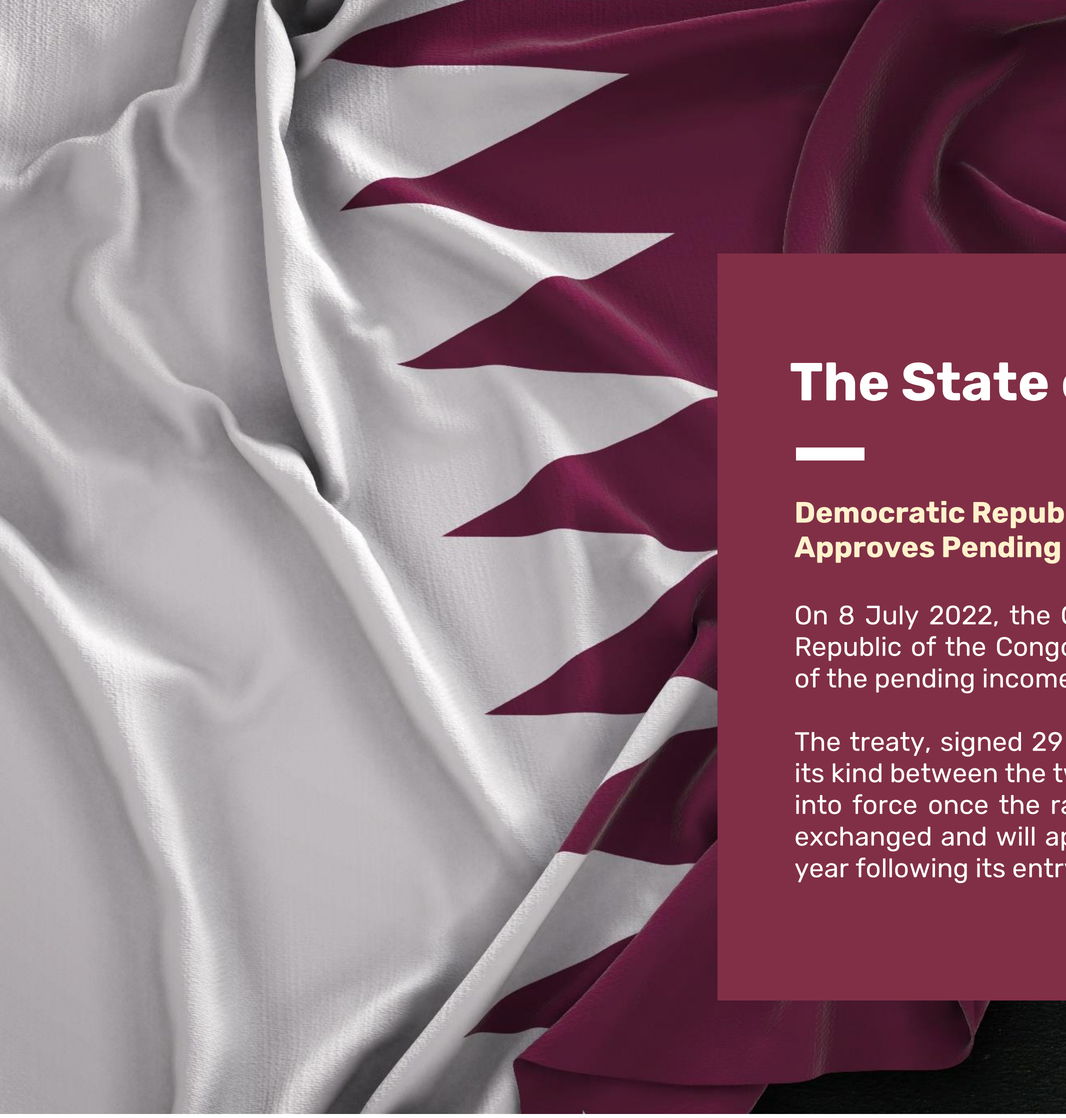
New Companies Law approved by Saudi Council of Ministers

On Tuesday 28 June 2022, the Council of Ministers has approved the long-awaited new Companies' Law ("**New Law**"). The New Law was enacted by Cabinet Resolution No. 678, dated 29/11/1443H (corresponding to 28th June 2022) and ratified by Royal Decree No. (M/132), dated 01/12/1443H (corresponding to 30th June 2022), and consists of (281) articles.

The Companies Law of 1437H (2015) and the Professional Companies Law of 1441H (2019) will be repealed, and any other provisions (in any other law in force) which are in conflict with the New Law will be overridden by the New Law, once it comes into effect, (180) days following its publication in the Official Gazette.

The Key amendments inter-alia includes provisions relating to following:

- Introduction of a new form of company – the "Simple Joint Stock Company" ("**SJSC**"). The SJSC will be able to accommodate the entrepreneurship and venture capital rising demands.
- Introducing and regulating non profit professional companies.
- Allowing the introduction of a family charter in the articles of association to regulate ownership, governance, management, work policy, relatives employment, and dividends distribution in family owned companies.
- Removing restrictions on company names, and share lock in periods.
- Exempting small companies from the requirement to appoint an external auditor.
- Arrangements to help companies attract high caliber talent by allowing the issue of shares to be dedicated to employees, and/or options to acquire such shares after a specific period.
- Allowing the distribution of interim/annual dividends to the partners/shareholders.
- Enhancing the automation of the process for various tasks including establishment requests, general assembly meetings attendance, and virtual voting using technology tools.
- Introducing alternative methods for the resolution of disputes.
- Simplifying the liquidation procedures in line with the KSA Bankruptcy Law.



The State of Qatar

Democratic Republic of the Congo Approves Pending Tax Treaty with Qatar

On 8 July 2022, the Cabinet of the Democratic Republic of the Congo approved the ratification of the pending income tax treaty with Qatar.

The treaty, signed 29 March 2021, is the first of its kind between the two countries and will enter into force once the ratification instruments are exchanged and will apply from 1 January of the year following its entry into force.

Certain Other Jurisdictions

OECD

Multilateral Convention to implement Pillar One for delivery by mid-2023

OECD delivered a report to G20 finance ministers and central bank governors ahead of their meeting in Indonesia (on 15-16 July 2022).

The report includes a new Progress Report on Pillar One, presenting a comprehensive draft of the technical model rules to implement a new taxing right that will allow market jurisdictions to tax profits from some of the largest multinational enterprises ("Pillar One"). The report will be subject to public consultation through to mid-August.

The Inclusive Framework will then aim to finalise a new Multilateral Convention by mid-2023, for entry into force in 2024. This revised timeline, previously flagged by OECD Secretary-General Mathias Cormann and agreed by the Inclusive Framework is designed to allow greater engagement with citizens, business and parliamentary bodies which will ultimately have to ratify the agreement.

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United Kingdom

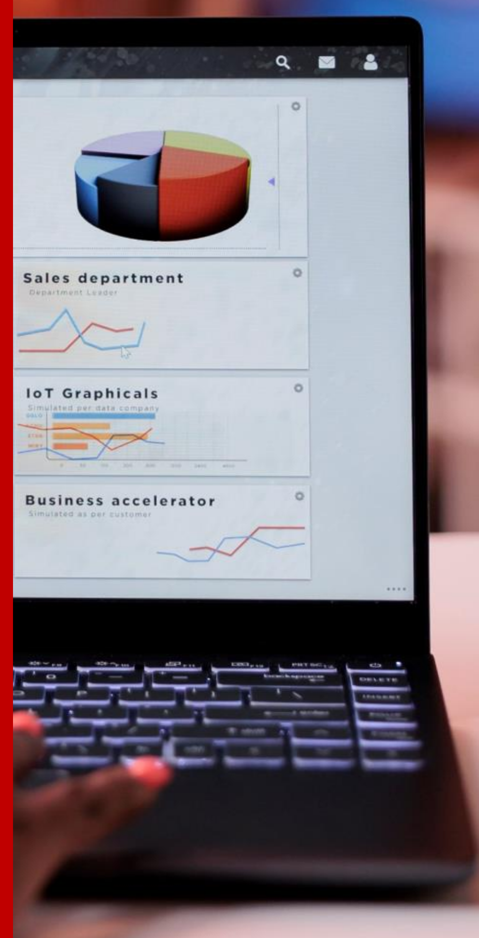
UK Introducing New Transfer Pricing Documentation Requirements for MNEs in the UK

UK HMRC has published a policy paper on draft legislation that introduces powers for regulations to be made in relation to required transfer pricing documentation.

It is proposed that such powers will be used to make regulations that will introduce a requirement for large multinational businesses operating in the UK to keep and preserve a Master file and a Local file in a prescribed and standardized format, as set out in the OECD's Transfer Pricing Guidelines.

It is also proposed to use the power to introduce a requirement to complete a Summary Audit Trail, which is a questionnaire detailing the main actions undertaken in preparing the Local file.

These new requirements are to take effect for accounting periods beginning on or after 1 April 2023 for large UK businesses within the scope of the Country-by-Country Reporting regime.



Cyprus

Cyprus introduces transfer pricing rules and documentation requirements

On 30 June 2022, the House of Representatives of Cyprus voted on and approved amendments to the Income Tax Law and the Assessment and Collection of Taxes Law in relation to transfer pricing (collectively TP legislation).

The above legislative developments aim to introduce transfer pricing rules and documentation requirements in accordance with recommendations of the Organisation for Economic Co-operation and Development on Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (OECD TP Guidelines).

The laws will enter into force once published into the Official Gazette of the Republic. The TP legislation will be effective as of 1 January 2022.

Our Services

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- External Audit
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- Due Diligence Review
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- Project Cost Audit
- Forensic Audit & Fraud Investigation
- Anti-Money Laundering (AML) Compliance

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- CFO Services
- Trade Finance
- Working Capital Finance
- Project Finance
- Financial Feasibility Study
- Business Feasibility Study
- Market Research & Business Plan
- Merges & Acquisition

Accounting & MIS Reporting

- Accounting & Financial Reporting
- Accounting Outsourcing
- Updating of Backlog Accounts
- Fixed Asset Management
- Standard Operating Procedures.
- Inventory Verification

TAX :

Direct tax

- UAE Corporate Tax
  - ✓ First Time Adoption
  - ✓ Tax Compliance
  - ✓ Tax Advisory
  - ✓ Tax Training
- Transfer Pricing [TP]
  - ✓ Country by Country Reporting [CbCR]
  - ✓ TP Local File and Master File
  - ✓ TP Advisory
- International Tax
  - ✓ Economic Substance Regulation
  - ✓ Tax Residency Certificate
  - ✓ Ultimate Beneficial Owner Regulation [UBO]

Indirect Tax

- Value Added Tax [VAT] | Excise Tax
  - ✓ Advisory
  - ✓ Tax Agency Service
  - ✓ Pre- Tax Audit
  - ✓ VAT Return Filing & Refund
  - ✓ Registration/De-registration
  - ✓ Representation to FTA
- Customs

Company Incorporation

- Company Formation
  - ✓ Mainland
  - ✓ Free Zone
  - ✓ Offshore
- Local | Corporate Sponsorship
- Company Liquidation
- Offshore Registered Agent –JAFZA
- PRO Service

Group Companies

- Emirates International Chartered Accountants Co. (Registered Tax Agency)
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- ECAG LTD
- MECA & Associates

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