

# Tax Updates

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# Tax updates

## United Arab Emirates

### UAE Updates VAT Guidance on Refunds for Foreign Businesses

The UAE Federal Tax Authority (FTA) has published an updated version of its VAT Refund for Business Visitors Guide dated 19 April 2021.

The guide is meant to help foreign businesses and business visitors check if they are eligible to claim a VAT refund and to successfully complete the 'Business Visitor (VAT Refund Scheme for Foreign Businesses) VAT Refund Form'.

Updates to the guide include:

- Added detail to Section 2.1 regarding the effective date from which a Foreign Business can claim VAT refunds when a country is added to the List of Countries with Reciprocal Agreements for the Business Visitors VAT Refunds.
- Updated Section 3 with regards to the documents required when completing the VAT refund form. Certificate of Incorporation is no longer required whereas a self-declaration is required where a business is not entitled to full input tax recovery in its own country unless an official letter stating the extent of input tax recovery (%) is obtained from the Tax Authority in the business' country.
- Section 5 was updated to reflect more recent dates on when applications can be submitted (i.e., for the period 1 January 2020 to 31 December 2020, applications are accepted from 1 March 2021).
- Section 7 was updated to clarify that tax invoices will also be accepted as 'hard copy' tax invoices or sent by email for purposes of submitting a VAT refund claim. Furthermore, hard-copy documents will only be retained by the FTA for 6 months, after which the documents will be disposed, unless prepaid envelopes were provided with the application.
- Appendix A: List of Countries with Reciprocal Agreements for the Business Visitors
- VAT Refunds was removed from the Guide as the list will be published separately and updated as and when required.



## VAT Refund for New Residences

The Federal Tax Authority amended the Real Estate Guide to extend the time period for claiming refund on the VAT incurred for construction of a new residence.

The refund claim must be lodged with the FTA within 12 months from the date of

completion of the newly built residence which was earlier restricted to six months.

Where a person is eligible to submit a refund claim under the scheme, VAT may be reclaimed on the following categories of expenses:

- Services provided by contractors, including the services of builders, architects, engineers and other similar services necessary for the successful construction of the residence;
- Building materials, being goods of a type normally incorporated by builders in a residential building or its site, but not including furniture or electrical appliances.

All applications for New Residence VAT Refunds must be submitted via the FTA eServices Portal.

## Amendment of administrative penalties imposed for violation of Tax Laws and reduction of previously imposed penalties

On 28 April 2021, the UAE Cabinet of Ministers issued Resolution No. 49/2021 to amend the provisions of Cabinet Resolution No. 40/2017 relating to administrative penalties imposed for violation of Tax Laws in the UAE.

The new resolution grants the UAE Federal Tax Authority ("FTA") the right to reduce previously unpaid administrative penalties to 30% of the total penalties where the registrant has paid all taxes due by 31 December 2021.

The new resolution shall be effective after sixty (60) days from the date of its issuance on 28 April 2021, i.e. effective as from 28 June 2021.

## Dubai Customs Notice no. 09/2021 relates to the import of personal goods via e-commerce transactions

With the purpose of regulating the movement of personal goods through E-commerce Channels, the Dubai customs vide Customs Notice No. 09/2021 has announced that companies wishing to practice the e-commerce activity must register / add the activity in the Dubai Customs' customer registration system without the need to add the activity in the trade license.

The Companies joining the E-commerce portal can avail the advantages of:

- automatic processing of Customs Declarations based on e-commerce orders and returns,
- exemption of Customs duty on personal goods worth less than AED 300,
- service charge exemption in respect of personal goods imported or exported for individuals via companies with value not exceeding AED 10,000, and
- permission to amend or cancel personal goods declaration within 60 days.

This notice has come into effect from 16th May 2021 and the Client Happiness Department would be responsible for registering companies or adding activity in the CRM system to facilitate the accession to the Platform.

## Extension of Temporary Suspension of exports of steel scrap and Wastepaper

The temporary suspension of exports of steel scrap and wastepaper has been extended for an extra period of three months as declared in Customs Notice No. 08/2021 released early this month. The notice will be in effect until June 14, 2021.



## Implementation of the TIR Carnet (International Road Transport)

Dubai Customs issued a Policy No 52/2021, announcing the implementation steps of TIR Carnet (International Road Transport) without the payment of customs duties and customs inspections. This facilitates the movement of goods within GCC.

As per the policy, the goods can be in transit under cover of TIR Carnet, if the following conditions as satisfied:

- transport made by road,
- part journey in a foreign territory,
- transport carried out by a road vehicle, a combination of road vehicles or containers (Load compartments) and clear affixing of TIR Plates to the means of transport are satisfied.

The provision excludes tobacco, its derivatives and alcohol beverages.

Transportation of goods through the vehicles that fulfil the conditions as mentioned in the Convention shall not be subjected to customs inspection at all the entry/exit points.

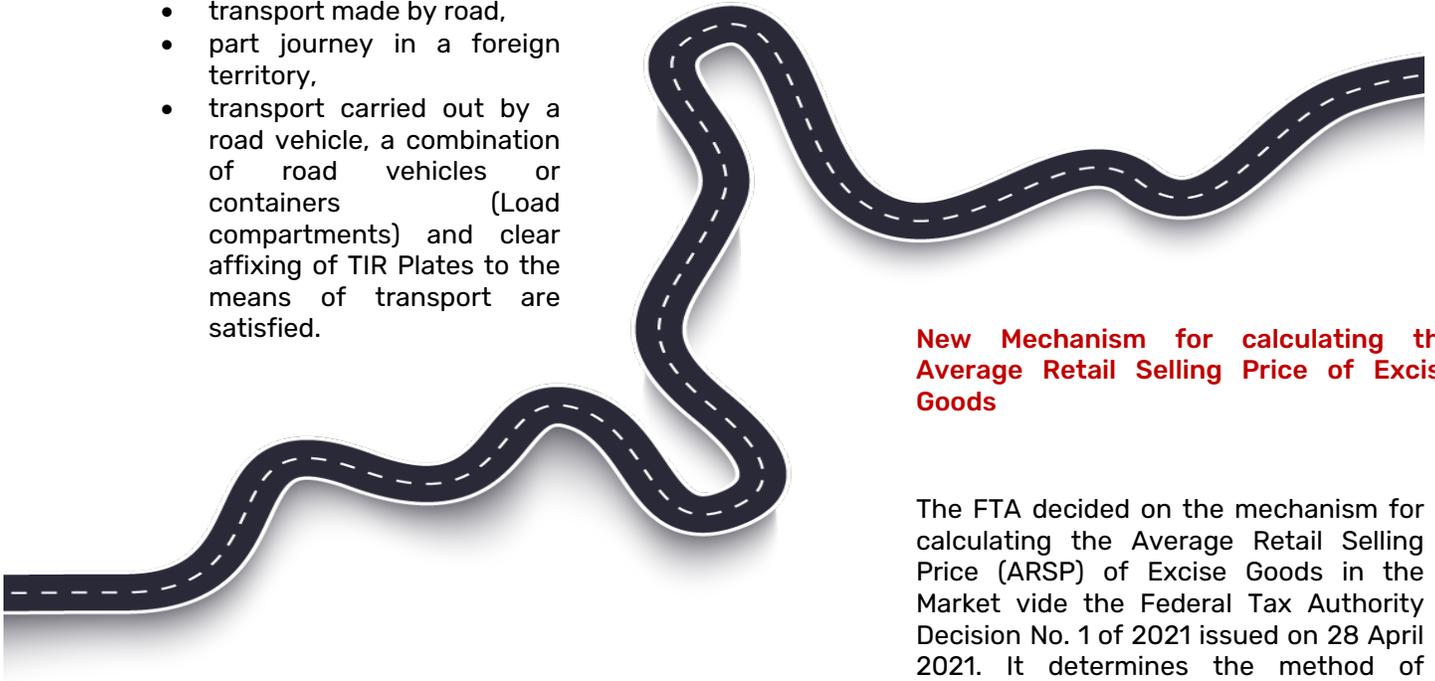
The policy will be effective from 1st June 2021 and the Customs Claims and Makkasa Department shall be responsible for claims settlement, reconciliation and discharge of the TIR Carnets.

## New Mechanism for calculating the Average Retail Selling Price of Excise Goods

The FTA decided on the mechanism for calculating the Average Retail Selling Price (ARSP) of Excise Goods in the Market vide the Federal Tax Authority Decision No. 1 of 2021 issued on 28 April 2021. It determines the method of calculation of Excise goods' values for goods intended to be sold in the UAE market for retail purposes and goods not intended to be sold in the UAE market for retail purposes.

The new Decision develops the intended procedures to calculate the average retail selling price as mentioned in Article (14) of the Cabinet Decision no. (52) of 2019 and provides further clarity over the different mechanisms of the calculation of the average retail selling price, depending on their intended use.

The decision also mentions that the Import Value (Inclusive of Customs Value and Fee, Insurance, and Freight) will substitute the value of ARSP, in cases where the Excise Goods are being exported or Excise goods are used in production of a new excise good without being sold in its original form.



## Excise Tax Return User Guide

The Excise Tax Return Guide has been updated with the following additions:

- The import Declarations are updated with an option for declaring goods which are not imported for consumption or free circulation in UAE - 'Import for Re-export'
- The shipment ID from De La Rue needs to be mandatorily mentioned while filing the Import declaration of Excise Goods from categories requiring Digital Tax Stamp. Details, apart from the Excise Price of goods, under this category cannot be entered manually but will be auto-populated based on the Shipment ID.



## Ecuador Approves Pending Tax Treaty with the UAE

On 11 May 2021, Ecuador's National Assembly approved ratification of the pending income tax treaty with the United Arab Emirates.

The treaty, signed 9 November 2016, is the first of its kind between the two countries. It will enter into force once the ratification instruments are exchanged, and will apply from 1 January of the year following its entry into force.

## Ministry of Economy announces deadline to file the Beneficial Owner details

UAE Ministry of Economy announced via its social media handles that the details of beneficial owner as per Cabinet Decision No. 58 of 2020 is required to be submitted by every licensee before July 1, 2021. In the announcement, the Ministry has announced that from July 1, 2021, the penalty of violating real beneficial owner procedures would be a written warning followed by a fine of AED 100,000 in the event of repeated violation, which could lead to suspension of license for at least a year.





## Ukraine Cabinet Approves Pending Protocol to Tax Treaty with the UAE

On 19 May 2021, Ukraine's Cabinet of Ministers approved for ratification the amending protocol to the 2003 income and capital tax treaty with the United Arab Emirates.

The protocol, signed 14 February 2021, is the first to amend the treaty and will enter into force after the ratification instruments are exchanged.

As announced at the time of signing, the protocol includes updates to bring the treaty in line with the latest OECD model, as well as increases in the withholding tax rates on interest payments and "technical" royalties to 5%.

## Abu Dhabi draws up list of 1,105 commercial and industrial business activities for full foreign ownership

The amended Commercial Companies Law, allowing foreign investors and entrepreneurs to establish and fully own onshore companies, will come into effect on June 1 this year, the UAE's Ministry of Economy has announced.

The UAE Government had recently adopted an amendment to the law allowing 100 percent foreign ownership of companies.

"The amended Commercial Companies Law aims at boosting the country's competitive edge and is a part of UAE government efforts to facilitate doing business," said Abdulla bin Touq Al Marri, Minister of Economy.

In the UAE, Abu Dhabi Business Center has published a list of Foreign Ownership Activities where full foreign ownership is permitted. The list contains over 1,000 activities eligible for full foreign ownership, including the English and Arabic names and activity numbers for reference.

## Sheikh Hamdan's New Digital Crowdfunding Platform Dubai Next aims to boost funding for innovative startups

H.H. Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai and Chairman of The Executive Council of Dubai, has launched [Dubai Next](#), a digital platform that will enable innovators and entrepreneurs in the Emirate to secure funding for their projects.

Owing to the digital nature of the platform, aspiring entrepreneurs, including students and youth, are expected to be able to reach out to a wider audience, both within the region and beyond, and gain access to better funding. Dubai SME will also provide an incentives package to the projects that receive financing through Dubai Next. The package will include access to the Hamdan Innovation Incubator (HI2) or one of the 14 certified incubators in Dubai, which will help SMEs to expand and scale locally and globally.



# Kingdom of Bahrain

## FATCA and CRS reporting for the year ending 31 December 2020 due by 31 May 2021

The Central Bank of Bahrain in April 2021 released guidance (Directive No. OG/124/2021) regarding the automatic exchange of financial account information (AEOI) under the FATCA and common reporting standard (CRS) regimes.

FATCA and CRS reporting for the year ending 31 December 2020 begins 26 April 2021, and all reporting financial institutions are directed to submit their final FATCA and CRS reports by 31 May 2021 via a new website portal (<https://ities.nbr.gov.bh/>).

- For FATCA reporting, reporting financial institutions must comply with the requirements under the intergovernmental agreement (IGA) between Bahrain and the United States.
- For CRS reporting, reporting financial institutions must comply with the requirements set out in the standards for automatic exchange of information in tax matters. According to an updated list, there are currently 65 reportable jurisdictions for purposes of CRS reporting for the year ending 31 December 2020.

## Kingdom of Bahrain Ministry of Industry Commerce and Tourism extends time for ESR Submission

MOICT has announced on its portal to its users that the ESR submission service is suspended till the end of May 2021.

Those who have already filed ESR Return have been instructed to file the same again once the system is updated with new modified ESR Template.

Accordingly, the deadline for 2020 ESR submission date has been extended to 31 July 2021

## National Bureau for Revenue (NBR) in the Kingdom of Bahrain signs with De La Rue to provide innovative digital solutions to authenticate Excise products

On 19 May 2021, Kingdom of Bahrain – NBR has entered a strategic project with De La Rue to provide advanced authentication and traceability solutions.

By signing with digital stamp solution provider De La Rue, a leading corporation in the digital stamp industry worldwide, NBR brings into effect the Gulf Cooperation Council (GCC) excise treaty on applying unique markers on excise goods and the local Excise legislations.

The NBR will announce the phases, the clarifications and all the needed guidance for excise traders and consumers in relation to this project in due course through NBR's website ([www.nbr.gov.bh](http://www.nbr.gov.bh)), in addition to leveraging the information available on Instagram, Twitter and YouTube channel (@bahrainNBR).



## Kingdom of Saudi Arabia

### Kingdom of Saudi Arabia Merging General Authority of Zakat and Tax and General Authority of Customs

The Saudi General Authority of Zakat and Tax (GAZT) issued a release on 5 May 2021 announcing the Saudi Cabinet's decision to merge the GAZT and the General Authority of Customs into a single authority, the Zakat, Tax, and Customs Authority.

The merger decision is meant to improve Saudi Arabia's economic competitiveness and promote the attraction of foreign investment through greater integration between integration and improved procedures, including the development of a unified platform based on modern technologies that save time and reduces costs for taxpayers.

## Sultanate of Oman

### Tax Treaty between Sultanate of Oman and Qatar to be Signed

On 28 April 2021, the Qatari Cabinet reportedly approved the signing of an income tax treaty with Oman. The treaty will be the first of its kind between the two countries and must be signed and ratified before entering into force.

## Qatar

### Transfer Pricing FAQs published by Qatar Tax Authority

Qatar's General Tax Authority (GTA) has released FAQs on Transfer Pricing declaration and Master & Local file and documentation to guide taxpayers comply with their first TP Compliance.

It contains FAQ on the Transfer Pricing Regulations per se and also the objectives of maintenance of the Master File and Local File and the details that it must contain.

The requirements generally apply for tax years beginning on or after 1 January 2020.

## Certain Other Jurisdictions

### OECD

#### No or only nominal tax jurisdictions carry out first annual information exchanges

The OECD [announced](#) that 12 "no or only nominal tax" jurisdictions have begun exchanging information under the "[substantial activities](#)" standard in relation to BEPS [action 5 \(Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance\)](#).

These jurisdictions include Anguilla, Bahamas, Bahrain, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Jersey, Turks and Caicos Islands, and the United Arab Emirates.



According to the OECD, the exchanges aim to facilitate risk assessments and the application of controlled foreign company, transfer pricing, and other BEPS-related provisions by the tax authorities.

The implementation of the substantial activities standard is being monitored by the Forum on Harmful Tax Practices through an annual peer review process, and the next peer reviews are expected to be released in December 2021.

## Germany

### Lower house of parliament approves law to implement EU anti-tax avoidance directive

On 21 May 2021, Germany's lower house of parliament approved the "ATAD implementation law" to implement the EU anti-tax avoidance directive (including provisions of [ATAD I](#) and [ATAD II](#)) into domestic German tax law.

The law also contains an extension of the 2020 tax return filing deadlines, as a response to the current COVID-19 environment.

The approved version of the law includes several noteworthy amendments to the updated draft law proposal that was published by the German government on 24 March 2021, but retains provisions to implement the **anti-hybrid** rules within the law with retroactive effect for expenses incurred on or after 1 January 2020

Changes to the exit tax rules for individuals also would have retroactive effect, while most other measures generally would apply as from 1 January 2022.

The approved version of the law also includes provisions relating to the definition of a related person and the controlled foreign company (CFC) rules.



## Netherlands

### Netherlands Draft Legislation on Beneficial Ownership Registration Requirements for Trusts

The Dutch Ministry of Finance has published the draft [Bill on the Implementation Act on the registration of beneficial owners of trusts and similar legal arrangements](#).

The implementation of the beneficial ownership registration requirements for trusts and similar is required as part of the EU Anti-Money Laundering Directive (AMLD) as amended (5th AMLD).

Under the draft bill, the requirements will apply to all trusts and

similar legal arrangements of which the trustees reside or are established in the Netherlands or, if residing or established outside the EU, the trustee enters into a business relationship in the Netherlands or acquires real estate in the Netherlands on behalf of the trust.

A trustee will need to submit the required information within one week after the obligation to do so has arisen, although an initial three-month transition period will be provided after the bill is approved and enters into force.

### Russia's Federation Council Approves Bill for Termination of Tax Treaty with the Netherlands

According to an [overview of results](#) from the 19 May 2021 meeting of Russia's Federation Council (upper house of parliament), the Council has approved the Bill providing for the termination of the 1996 tax treaty with the Netherlands.

The Bill was approved by the State Duma (lower house) on 11 May 2021 and must now be signed into law by the president and published in the Official Gazette.

Once the internal procedures are completed, Russia must give formal notice of termination. As per the terms of the treaty, this notice must be given at least 6 months before the end of the calendar year in order for the termination to apply from the beginning of the following calendar year.

## Netherlands Terminates Application of Tax Treaty with Tajikistan

On 7 May 2021, the Netherlands published a [notice](#) in the Official Gazette providing for the termination of the 1986 tax treaty with the former Soviet Union as it applies with respect to the Netherlands and Tajikistan. According to the notice, the termination of the application of the treaty applies from 1 January 2021.

## India

### PAN requirement relaxed for capital gains exemption for eligible non-residents

India's Central Board of Direct Taxes (CBDT) on 4 May 2021 issued [Notification No. 42/2021](#) relaxing the requirement for certain nonresidents whose only Indian-source capital gains are derived from transactions in specified assets to obtain an Indian permanent account number (PAN) to qualify for an exemption from capital gains tax.

The exemption applies to capital gains arising on the disposal of a capital asset, listed on a recognized stock exchange located in an International Financial Services Center (IFSC), where the consideration for the transfer is payable in foreign currency and other conditions are met.

### India Provides Extensions for Various Compliance Deadlines Due to COVID-19

India's Central Board of Direct Taxes (CBDT) issued a [release](#) on 20 May 2021 announcing the extension of various compliance deadlines due to COVID-19 (see below). The extensions were formally established by [Circular No. 9 of 2021](#).

The extension of time limit includes date for furnishing annual tax return, tax audit report, transfer pricing report, issue of TDS Certificates etc.

### Launch of new E-filing Portal of the Income-tax Department, India

On 19 May 2021, the Income Tax Department of India has announced launch its new e-filing portal [www.incometax.gov.in](http://www.incometax.gov.in). The new platform for e-filing and interaction with the Income-tax Department would be launched on 7 June 2021.

It has also informed that the existing portal would not be available to taxpayers as well as other external stakeholders for a brief period of 6 days from 1 June 2021 to 6 June 2021, in preparation for the launch and for migration activities.

The new e-filing portal is aimed at providing taxpayer convenience and a modern, seamless experience to taxpayers.

### CBDT notifies thresholds for significant economic presence

India's Central Board of Direct Taxes has published [Notification No. 41/2021 of 3 May 2021](#), which contains the Income-tax (13th Amendment) Rules, 2021. The amendment rules insert a new rule prescribing the thresholds for the purpose of India's new significant economic presence rules in terms of sales and number of users.

The definition of taxable significant economic presence was expanded by the Finance Act 2018 to essentially provide for a digital permanent establishment, including that a non-resident may be deemed to have a significant economic presence in India, regardless of a physical presence, in the following cases:

- Transactions in respect of any goods, services, or property carried out by a non-resident with any person in India including **provision of download of data or software** in India, if the **aggregate of payments arising from such transaction** or transactions during the previous year exceeds such amount as may be prescribed; or
- Systematic and continuous **soliciting of business activities** or engaging in interaction with such **number of users in India**, as may be prescribed.

For the purpose of the above, the thresholds prescribed by the Income-tax (13th Amendment) Rules, 2021 include an **aggregate payment** threshold of INR 20 million (2 crore) and a **number of users** threshold of 300,000 (3 lakh).

The the new significant economic presence Rules, 2021 shall come into force on 1 April 2022.



# Turkey

## Turkey Provides Extension for Submission of First Quarter Advance Tax Declaration and Payment to 31 May 2021

Turkey's Revenue Administration has [announced](#) the publication of Tax Procedure Circular No. 134 of 3 May 2021, which provides an extension of the advance tax declaration and payment due for the first quarter of 2021 (January-February-March).

Normally due 17 May 2021, the deadline has been extended to 31 May 2021. The extension also applies for taxpayers following a special (non-calendar) accounting period whose declaration date is 17 May 2021 for the relevant advance tax period.

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