

Tax '22 April Updates



Tax updates

2022 April Edition

Message from the CEO

Dear Readers,

Hope you all had a lovely Eid holiday!

Adhering to what HH Sheikh Mohammed once quoted, *"We are at the start of the road to our vision...Only those who move to achieve are on top"*. UAE announced its ambitious Corporate Tax regime with an intention to achieve its strategic ambitions and to cement UAE's position in the World Economy.

In its commitment to adapt a tax regime that incorporates best practices globally and minimise the compliance burden for businesses, the Ministry of Finance has launched a 'Public Consultation Document' that highlights main features and implementation structure of the proposed corporate tax law.

The UAE Tax Authority has invited input from the stakeholders to make informed decisions on the final design and implementation of Law. The deadline to submit comments and concerns on the Tax Consultation Document has been set at 19 May 2022. We would like to extend our support to bridge the gap between the business community and the Ministry by sharing your concerns or ideas, if any, before the due date.

Before I sign off, ECAG is committed to deliver and freely explain the implications of introduction of Corporate Tax on your business. We will issue a separate detailed document with our observations and comments on the proposed Corporate Tax apart from the free webinars and seminars on the same.

In this monthly series, named Tax Updates, we cover the major developments in the area of Tax across the region in brief. We hope our efforts to update you on the key developments in the region would help you to take informed decisions in your business.

CA. Manu Palerichal
CEO & Partner



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United Arab Emirates

UAE tax authority announces whistleblower program

The Federal Tax Authority (FTA) has launched its 'whistleblower' programme for tax violations and evasion. The new program, named 'Raqeeb' is a reporting mechanism that aims to enhance transparency and competitiveness in the field of doing business, raise tax compliance rates, and boost tax awareness and society's confidence in the tax system.

Effective from April 15, the programme allows FTA to receive reports from individuals on tax evasion cases, tax-related fraud and violations of tax legislation. It also enables the authority to verify the reports and grant monetary rewards to informants if the report leads the authority to collect tax amounts worth more than Dhs50,000.

The FTA's whistleblowing program applies to excise and valued-added taxes at present. The program could take on more significance in 2023 when the UAE introduces corporate tax for the first time.

Reporting information can be done through FTA's website, which also has a comprehensive guide on the programme, how to report, the criteria and mechanism for obtaining monetary rewards for reporting, and other introductory, legal and procedural matters related to the program.

In other developments, Dubai Financial Services Authority has also launched its regulatory regime for 'whistleblowing'. It's the first of its kind to be introduced by a financial service regulator in the UAE and applies to all DFSA regulated entities operating in or from the Dubai International Financial Centre.

Federal Tax Authority's Board of Directors adopts FTA's Financial Statements for 2021, explores development plans

In its second meeting of the year on 20 April 2022, the Board of Directors of the Federal Tax Authority (FTA) – chaired by His Highness Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum, Deputy Ruler of Dubai, Deputy Prime Minister, Minister of Finance, and Chairman of the FTA Board of Directors – adopted the FTA's financial statements for 2021.

During the meeting held at the Authority's headquarters in Dubai, the Board reviewed a report on the FTA's plans to develop and enhance the tax system's

procedures and bring them in line with best practices, as well as to upgrade services offered to customers through fast, accurate, and easy-to-use digital platforms.

The report called for implementing a set of procedures and initiatives to further advance the FTA's performance through continuous follow-up and development in order to raise the efficiency of the tax system to meet taxpayers' aspirations.

On a different note, the FTA Board of Directors examined the progress made on developing the draft corporate tax law.

UAE Cabinet approves establishment of UAE Council for Digital Economy

The UAE Cabinet met in second week of April 2022 and approved a new **Digital Economy Strategy** that aims to increase the contribution of this sector to the GDP to 20 percent over the next 10 years.

The meeting was chaired by Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai and was held at Qasr Al Watan Abu Dhabi.

The UAE Digital Economy Strategy aims to double the contribution of the digital economy to the GDP from 9.7 per cent to 19.4 per cent within the next ten years, according to state news agency WAM.

The strategy includes more than 30 initiatives and programmes targeting six sectors and five new areas of growth. It will define the digital economy, with a unified mechanism for measuring its growth while measuring its indicators periodically.

The Cabinet also approved the establishment of the **UAE Council for Digital Economy** chaired by Omar bin Sultan Al Olama, Minister of State for Artificial Intelligence, Digital Economy, and Teleworking Applications.

The UAE Council for Digital Economy will support the aim to double the contribution of the digital economy to the UAE's GDP in the year 2031, and enhances the implementation of the Digital Economy Strategy initiatives in all economic sectors.

Among the several resolutions adopted during the meeting was the decision in the form of cabinets approval to adopt an agreement to link the payment systems of the Gulf Cooperation Council (GCC) countries.

The Ministry of Finance, UAE has released a Public Consultation Document on Corporate Tax

On 31 January 2022, the Ministry of Finance (MoF) of the United Arab Emirates (UAE) announced the introduction of a federal Corporate Tax (CT) on business profits effective for financial years starting on or after 1 June 2023. Since the announcement in January 2022, work has continued on the design and implementation of the CT regime to ensure that it incorporates best practices globally and minimizes the compliance burden for UAE businesses.

Recognizing the importance of consultation with the business community and other interested stakeholders, the Ministry of Finance has released the public consultation document on the proposed UAE Corporate Tax regime to obtain input from stakeholders. **The Ministry of Finance has requested the stakeholders to send in their clear and concise comments by 19 May 2022**, focusing on aspects of the proposed Corporate Tax regime that may help to reduce compliance cost and complexity, and improve certainty for both the tax administration and taxpayers alike. Ministry also invites comments on areas that are otherwise not covered in this document.

The Comments are to be submitted using participation link (<https://www.mof.gov.ae/en/Eparticipati on/Pages/EPublic.aspx>) only. Input received will be carefully considered and will assist the MoF in further refining and implementing the proposed Corporate Tax regulations.

Kingdom of Bahrain

Kingdom of Bahrain Extends Economic Substance Return Deadline

Kingdom of Bahrain's Ministry of Industry, Commerce and Tourism has reportedly extended the deadline for the submission of the annual economic substance return.

The standard deadline for the annual return is within three months following the end of the year. However, an extended deadline until mid-August 2022 has been provided for companies whose financial statements for 2021 were not audited by 31 March 2022.

NBR updates the excise goods list

Kingdom of Bahrain's National Bureau for Revenue has updated the list of goods subject to excise tax and published the same on 20 April 2022. The updated list is available on NBR's website in the announcements section.

NBR confirms VAT Return filing due date

The National Bureau for Revenue confirms the due date for submitting monthly and quarterly VAT returns. VAT payers must submit their VAT returns and pay their VAT liabilities by 8 May 2022.

It applies to monthly (VAT period - March 2022) and quarterly (VAT period -Jan to Mar 2022) VAT registrants.

Sultanate of Oman

Oman Amends to the Executive Regulations of the Foreign Capital Investment Law

A new Ministerial Decision (“MD”) was issued recently by the Ministry of Commerce, Industry, and Investment Promotion, (“MOCIIP”) to amend certain Articles of Executive Regulations of the Foreign Capital Investment Law (“FCIL ER”), which became effective from 4 April 2022.

The amendments to the FCIL ER have replaced the full text of Article 5, which forms part of general rules section, and Article 7, which forms part of procedures and conditions related to investment license section.

The amendments signify the role of individuals, establishments, and companies, in promoting and attracting foreign investments in Oman and channelise certain rules related to foreign investment license and permits application.

Certain Other Jurisdictions

OECD

OECD seeks input on new tax transparency framework for crypto-assets and amendments to the Common Reporting Standard

The OECD, on 22 March 2022 released a [public consultation document](#) concerning a new global tax transparency framework to provide for the reporting and exchange of information with respect to crypto-assets, as well as proposed amendments to the Common Reporting Standard (CRS) for the automatic exchange of financial account information between countries.

The purpose of the consultation is to inform policy makers decisions on the possible adoption of any such framework and its related design components.

The G20 has asked the OECD to develop a framework for the automatic exchange of information on crypto-assets.

This new framework provides for the collection and exchange of tax-relevant information between tax administrations, with respect to persons engaging in certain transactions in crypto-assets.

Alongside the Crypto-Asset Reporting Framework (CARF), the OECD has also developed proposals as part of the first comprehensive review of the CRS, with the aim of further improving the operation of the CRS, based on the experience gained by governments and business over the past seven years since its adoption. **The proposal extends the scope of the CRS to cover electronic money products and Central Bank Digital Currencies.**

The OECD is seeking public comments on the above proposals. Interested parties are invited to send their comments no later than **29 April 2022** by e-mail (in Word format) to taxpublicconsultation@oecd.org.

BRAZIL

Brazil announces new transfer pricing regime to align with OECD standards

The Receita Federal do Brasil, the country's tax authority, along with the OECD Transfer Pricing Unit, on 12 April 2022 publicly presented the policy guidelines and the main characteristics of the new transfer pricing system to be implemented in Brazil.

The main characteristic of the new legislation will be a general part that will outline the arm's length principle to guide the application of the system. It will literally be a cornerstone of the new system, aligned with OECD standards, followed by a special part, which will outline the specific types of transactions and methods.



India

India Finance Act 2022 Approved and Published

India's Finance Act 2022 has been published in the Official Gazette following its approval on 30 March 2022. The Act implements the measures of the Union Budget 2022-2023 that was delivered in February 2022.

The measures of the Finance Act, 2022 generally apply from the assessment year beginning on or after 1 April 2023 (tax year beginning 1 April 2022), unless otherwise specified.

Australia Agrees to Stop Taxation of Offshore Income of Indian firms Providing technical Services to Australia

Australia's Department of Foreign Affairs and Trade has announced the signing of a historic trade deal with India on 2 April 2022, the Australia-India Economic Cooperation and Trade Agreement.

In connection with the agreement, letters were exchanged by Australia and India concerning an agreement on taxation:

The Government of Australia has agreed to amend Australian domestic taxation law to stop the taxation of offshore income of Indian firms providing technical services to Australia. This would resolve the issue that the Indian Government has raised about the Double Taxation Avoidance Agreement between the Government of the Republic of India and the Government of Australia for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, done at Canberra on 25 July 1991.

Australia will implement the amendments to its taxation legislation referred to in paragraph 1 in a similar time period as the Agreement.

The agreement will enter into force 30 days after the ratification instruments are exchanged.





United States of America

U.S. Treasury List of International Boycott Countries Published

On 5 April 2022, the U.S. Treasury [notice](#) on the current list of countries that may require participation in, or cooperation with, an international boycott was published in the Federal Register.

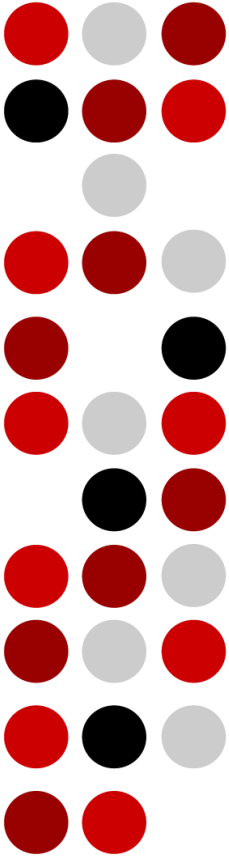
The countries listed include Iraq, Kuwait, Lebanon, Libya, Qatar, Saudi Arabia, Syria, and Yemen.

Any person or a member of a controlled group with operations in or related to a country on the list, or with the government, a company, or a national of a listed country is required to file [Form 5713 \(International Boycott Report\)](#), subject to certain exceptions.

Form 5713 must also be filed by any person with operations in a non-listed country that requires participation in, or cooperation with, an international boycott as a condition of doing business with the country.

Taxpayers required to file the form may lose certain tax benefits.





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