

Tax Updates

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Tax *updates*

United Arab Emirates

Amendment to the Cabinet Decision (52) of 2017 – Executive Regulations on VAT

The Federal Tax Authority in the month of April 2021 amended the Executive Regulation for the second time since inception of VAT in 2018.

The main update includes a change made in Article 31(2) on the Export of Services rules. The Article now reads:

“For the purpose of paragraph (a) of Clause 1 of this Article, a Person shall be considered as being “outside the State” if they only have a short-term presence in the State of less than a month and the presence is not effectively connected with the supply”.

In the updated article above, the word “AND” replaces the word “OR” and thus requires both conditions included in this Article to be met in order for a supply of services made to non-resident persons to be zero-rated for VAT purposes.

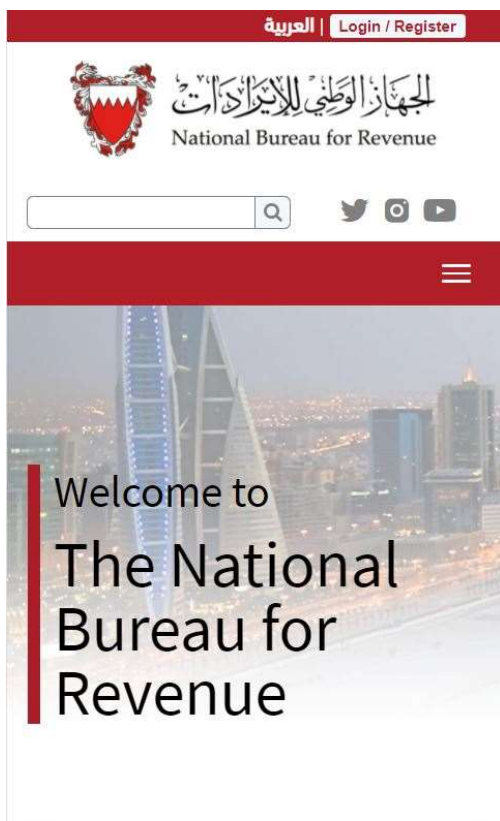
Business Bulletin on Automotive Sector

The Federal Tax Authority issued a Business Bulletin shedding light on the taxability of transactions involving the Automobile sector. The Bulletin clearly identified the areas that needs special attention from registrants including applicability of Profit Margin Scheme, Gifts & Giveaways that are subject to VAT and the cases where the service center reclaims costs of supplies made under warranty from a manufacturer based outside the UAE.



Extension in the Temporary Zero Rating of Medical Equipment.

The Federal Tax Authority during April 2021 issued VATP025 which replaces the earlier clarification that was issued VATP023. This decision from the Ministry specifies the medical equipment that are zero-rated in accordance with the Cabinet Decision. In accordance with Cabinet Decision No. 15/3 O of 2021, the above decisions shall be effective until 31 December 2021.



The Kingdom of Bahrain issues circular informing entities to register for Economic substance Regulation on the new ITIES Platform.

In light of the launch of the new International Tax Information Exchange System (ITIES), Bahrain Ministry of Industry, commerce and tourism has issued circular to its stakeholders to register on the ITIES and file their Economic Substance return for the fiscal year ended 2020 on the new reporting portal.

Dubai Customs extends “grace period” for submitting customs declarations

Dubai Customs has extended a “grace period” for submitting customs declarations and required documents until 30 September 2021—relief offered in response to the coronavirus (COVID-19) pandemic.

The extended grace period applies for customs declarations filed between 1 February and 30 June 2021.

In general, customs declarations and related documents must be submitted within a 14-day period. Customs Notice 5/2021 extends a grace period from this 14-day period to exclude declarations processed during the period from 1 February to 30 June 2021.

With this relief, companies importing and exporting to and from the UAE via Dubai can take advantage of the suspension to re-organize their internal processes to comply with Dubai Customs requirements by no later than September 2021.

Kingdom of Bahrain

The Bahrain's National Bureau for Revenue has restructured the website

NBR has updated its website layout and content, making it more attractive and user friendly.

New functionality and pages have been added on Excise Tax and Foreign Tax Relations.

The NBR website now provides for a complete section on Excise Tax, including an overview of Excise procedures in Bahrain, a list of goods subject to Excise Tax and access to Excise registration, licensing, return, and refund and deduction forms.

The NBR has also included specific webpages on the Inclusive Framework on BEPS.

It has also informed that the reporting window for the Economic Substance submissions for the fiscal year ended 2020 will be from the **3 May 2021 to 31 May 2021**. Failure to report the necessary information within the aforementioned timeframe in accordance with the mandated and circulated requirements in accordance with Ministerial Order no. 106 will be subject to violations, fines, sanctions and crossing off the CR.

The registration is required to be done on **<https://ities.nbr.gov.bh>** and filing can be done once approval has been granted via the system. For any assistance contact the financial analysis department via email financialanalysis@moic.gov.bh and for technical support via ITIES.

Tax Treaty between Kingdom of Bahrain and Serbia to be Negotiated

Officials from Kingdom of Bahrain and Serbia met on 5 April 2021 to discuss bilateral relations and agreed to the negotiation of an income tax treaty. Any resulting treaty would be the first of its kind between the two countries and must be finalized, signed, and ratified before entering into force.



Bahrain's National Bureau for Revenue (NBR) publishes a guide on VAT agents / VAT representatives.

Bahrain's National Bureau for Revenue (NBR) has published a guide on VAT agents / VAT representatives. The purpose of this guide is to provide an overview of:

- The process to obtain NBR authorization as a VAT agent or representative including:
 - a) The rules and procedures for registering as a VAT agent or representative.
 - b) The process for registering as a VAT agent or representative through the NBR's online portal; and
 - c) Functionality available to a VAT agent or representative on the NBR's online portal.
- The process for a VAT payer to appoint a VAT agent or representative including:
 - a) The rules and procedures relating to the appointment by a VAT payer of a VAT agent or representative; and
 - b) The process to be followed on the NBR's online portal by a VAT payer when appointing a VAT agent or representative.

Kingdom of Saudi Arabia

Kingdom of Saudi Arabia issues Circular Providing Guidance on Force of Attraction Rule in the Context of Permanent Establishment

The Kingdom of Saudi Arabia, General Authority of Zakat and Tax (GAZT) has issued Circular No. 2104001 on Force of Attraction rule in the context of permanent establishment.

The circular provides information and guidance, including examples, on the Force of Attraction (FOA) rule and its application in Saudi Arabia according to the Income Tax Law and double tax avoidance agreements (DTAs) in the following contexts:

- FOA application under the Law in Saudi Arabia in the absence of a DTA between Saudi Arabia and the country of residence of the PE's headquarters; and
- FOA application in the context of DTAs between Saudi Arabia and the country of residence of the PE's headquarters:
 - DTAs including FOA rules; and
 - DTAs nullifying the application of FOA rules.

Tax Treaty between Saudi Arabia and Switzerland has Entered into Force

The Income and Capital Tax Treaty between Saudi Arabia and Switzerland entered into force on 1 April 2021. The Treaty was signed 18 February 2018.

The highlight of the Tax Treaty, the Withholding Tax Rates under various articles are as under:

- **Dividends –**
 - 5% if the beneficial owner is a company directly holding at least 10% of the paying company's capital, or the beneficial owner is the Central Bank of the other Contracting State or an institution or fund, wholly owned by the other Contracting State or a pension scheme that is a resident of the other State;
 - 15% in all other cases
- **Interest – 5%**, with an exemption for interest paid:
 - to the Government of the other Contracting State including its administrative subdivisions or local authorities;
 - to the Central Bank of that other State;
 - to a pension scheme of that other Contracting State;
 - with respect to an indebtedness arising as a consequence of the sale on credit of any equipment, merchandise, or services;
 - on any loan of whatever kind granted by a financial institution; or
 - on loans between companies
- **Royalties – 5%** for royalties paid for the use of, or the right to use, industrial, commercial, or scientific equipment;
- **7% – in all other cases**

The treaty applies from 1 January 2022.

Sultanate of Oman

Sultanate of Oman VAT Registration Applications

The Sultanate of Oman Tax Authority (OTA) has Authority has clarified that it continues to accept registration applications for persons (natural and legal) with supplies exceeding OMR 1,000,000 even though the deadline of March 15, 2021, as stipulated in **Decision no. 3/2021** has passed. This is a facilitation for taxable persons in light of **Covid-19 pandemic**.

Sultanate of Oman approves issuance of simplified Tax Invoices

The Sultanate of Oman Tax Authority has allowed VAT registrants to issue simplified VAT invoices from 16 April 2021, on condition that:

- The VAT registrant adheres to the requirements for simplified VAT invoices in Article 148 (amongst other Articles) of the Oman VAT Executive Regulations (Ministerial Decision 53/2021 published on 14 March 2021 refers)
- The taxpayer concerned informs the Oman Tax Authority in writing of the use of simplified VAT invoicing on or before 15 July 2021 and provides examples of the simplified VAT invoices that are issued.

Sultanate of Oman Tax Authority published guidance on VAT registration procedures for Oman non-resident applicants

Oman Tax Authority (OTA) has on 16 April 2021, published guidance on **VAT registration procedures for Oman non-resident applicants**

- Alongwith the relevant VAT provisions the authority also specified the registration procedures, which is as under:
- Download and complete registration application form for non-resident persons available on Tax Portal
- State the Responsible Person in the application, and attach proof of appointment and how he/she is related to the applicant
- Provide Omani bank account details (including full name and address of bank, identifying SWIFT or other codes)
- State value of taxable annual supplies in the registration application and amount of bank guarantee not less than 5% of taxable annual supplies
- Attach the bank guarantee issued by a bank in Oman which must be issued in the name of: Tax Authority P.O.Box: 285, Muscat, Postal Code: 100 Sultanate of Oman
- Submit the application via email attaching required documentation.
- After final approval, the Tax Authority will send the successful registrant a username and password to access the account.

Qatar

Tax Treaty between the Qatar and Democratic Republic of the Congo Signed

The pending income tax treaty between the Democratic Republic of the Congo and Qatar was signed on 29 March 2021. The prima facie treaty benefits, the reduced withholding tax rates, are as under:

- Dividends - 0%
- Interest - 0%
- Royalties - 5%
- Fees for technical services, including for any service of a managerial, technical, or consultancy nature - 5%

The treaty 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

United States Of America

United States of America proposes to set global minimum tax rate at 21%

President Joe Biden proposes to introduce a global minimum corporate tax rate. Biden's proposal emerged earlier in April, pledged to "end the race to the bottom over multinational corporate taxation". This has left countries with low corporate tax rates, including Ireland, bracing for a struggle. Ireland charges a corporate tax rate of 12.5 per cent, one of the lowest in Europe.

Speaking at the same event, Pascal Saint-Amans, head of tax administration at the OECD, stressed the need for "tax peace" that would end the "race to the bottom" for global tax rates. He praised the US proposals which he said had injected "momentum" into the global discussions. Saint-Amans, who is leading the OECD negotiations, expressed confidence that the 139 countries involved would reach agreement by the next G20 finance ministers' meeting in July. The negotiations were "too big to fail", he added.



Canada

Federal Budget 2021 Introduced

On April 19, 2021, the Deputy Prime Minister and Minister of Finance, Chrystia Freeland, presented the government's budget. The major highlight of the budget are as under:

- Extension of existing COVID-19 emergency business supports to September 25, 2021 and introduction of the Canada Recovery Hiring Program
- Providing immediate expensing of up to \$1.5 million per taxation year of capital property acquisitions to Canadian-controlled private corporations (CCPCs)
- Enhancement in Canada's mandatory reportable transaction disclosure rules, subject to public consultation
- Providing further details of a proposed digital services tax, to be effective January 1, 2022
- Reduction of corporate tax rates on eligible zero-emission technology manufacturing and processing income
- Limiting the deductibility of interest by corporations, trusts and partnerships to a percentage of tax-basis EBITDA
- Enhancement of Canada Workers Benefit
- Certain amendments on the application of Goods and services tax/Harmonized sales tax (GST/HST) to e-commerce
- Propose a new tax on the unproductive use of Canadian housing by foreign

India

Tax Treaty between India and Iran in Force

India published a notification in the Official Gazette on 1 April 2021 regarding the income tax treaty with Iran, including that the treaty entered into force on 29 September 2020.

The Withholding Tax Rates as per the Treaty are as under:

- Dividends - 10%
- Interest - 10%
- Royalties - 10%
- Fees for technical services (managerial, technical, or consultancy) - 10%

The treaty applies in India from 1 April 2021 and applies in Iran from 21 March 2021 (first day of Farvardin in the Iranian calendar).

Indian Finance Act 2021 Enacted

The Finance Bill, 2021 received the assent of the President, Shri Ram Nath Kovind, on 28th March, 2021. The Finance Act, 2021 (No. 13 of 2021) contains 172 Sections impacting more than 20 Acts. This Act shall enforce various provisions with effect from 01-02-2021 (i.e., taxation of ULIPs, discontinuation of settlement commission, etc.), some provision shall come into force from 01-04-2021 (i.e., new income escaping assessment procedure, Section 194P, etc.)



Turkey

Turkey Planning to Increase Corporate Income Tax Rate for 2021 and 2022

The Turkish parliament is reportedly considering a draft law submitted on 2 April 2021 that provides for an increase in the corporate income tax rate for 2021 and 2022.

If approved, the draft law would increase the corporate income tax rate to 25% for 2021 and 23% for 2022. Turkey's current corporate income tax rate is 20%.

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