



# Tax <sup>'23</sup> July Updates

# Tax updates

## 2023 July Edition

Hello Readers,

I hope this message finds you all in good health and high spirits. As we dive into the summer season, ECAG stands committed to providing the readers with some essential updates regarding tax matters that are pertinent to a company's success and financial well-being.

July 2023 brought about several significant tax legislative changes that may impact our business operations and individual finances which you will be reading. Compliance with tax regulations is not just a legal obligation; it is a reflection of an organization's commitment to transparency and responsible business practices. I urge every business to stay vigilant in fulfilling all tax-related obligations promptly and accurately.

As we invest in our professional growth, staying updated on tax regulations and practices is crucial. I encourage everyone to participate actively in our webinar sessions to learn and stay updated. Our commitment to exceptional client service includes providing reliable tax advice and solutions.

Achieving tax excellence requires a collaborative effort from every team member. I commend the dedication and hard work that our tax experts consistently demonstrate. Let us continue to work together, leveraging our expertise to achieve even greater success. Thank you for your unwavering commitment to our shared vision.

If you have any questions or require assistance, please do not hesitate to reach out. Every business's success is our top priority, and we are here to support in every step of the way.

Wishing you all a productive and rewarding month ahead!

**CA. Manu Palerichal**  
CEO & Partner



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# United Arab Emirates

## UAE Corporate Tax Free Zone Public Consultation paper

On 19 July 2023, the Ministry of Finance has recently released a Consultation Paper on Free Zones on the proposed framework for the classification of Qualifying Activities and Excluded Activities for Free Zone companies with the objective of gathering valuable inputs and suggestions from relevant stakeholders.

The deadline to submit the response on the topics outlined is extended from 2<sup>nd</sup> August to 9th August 2023.

## UAE Corporate Tax Free Zone Public Consultation paper

The Cabinet Decision No.74 of 2023 on the Executive Regulation of Federal Decree-Law No. (28) of 2022 on Tax Procedures (“New Executive Regulation”), which repealed Cabinet Decision No. (36) of 2017 on the Executive Regulation of Federal Law No. (7) of 2017 on Tax Procedures and its amendments (“Previous Executive Regulation”). The new Executive Regulation was published in the Official Gazette and will be effective as of 1 August 2023.

This decision covers various matters, including record-keeping requirements, tax registration, deregistration, and amendment procedures, rules on legal representatives and tax agents, voluntary disclosures, tax audits, tax assessments, tax refunds, reconciliation in Tax Evasion crimes and the terms and conditions for such reconciliations.

## UAE Ministry of Finance announces schedule of administrative penalties for corporate tax violations

The UAE Ministry of Finance (MoF) announced the issuance of Cabinet Decision No. (75) of 2023 regarding administrative penalties for violations related to the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law), effective from 1st August 2023.

The schedule of violations and administrative penalties annexed to the decision includes 13 description of violations and respective administrative penalty amount.

## Cabinet decision on conditions for Qualifying Investment Funds

The UAE Ministry of Finance has announced the issuance of Cabinet Decision No. 81 of 2023 on additional conditions for qualifying investment funds, which may be exempted from tax under the new Corporate Tax Law.

This decision provides conditions to exempt an investment fund and Real estate investment trust from corporate tax.

## Extension of Temporary suspension of export of ferrous scrap and waste paper

The Dubai Customs vide Customs Notice No. (06/2023) has extended the temporary suspension of export of ferrous scrap and waste paper until 19/09/2023. The items falling under the suspension has also been detailed in the notice issued on 6th July 2023.



# Kingdom of Saudi Arabia

## The Zakat, Tax and Customs Authority ('ZATCA') has published a guideline for Tax Ruling Requests

On 2nd June 2023, the ZATCA has published a detailed guideline that clarifies the process for Tax Ruling requests in case a taxpayer seeks the ZATCA's opinion on a specific issue. This guideline is directed towards all persons, natural or legal, as well as the agents acting on their behalf who wish to submit a request for a Tax Ruling.

A Tax Ruling request is a medium by which a Taxpayer may seek the ZATCA's legal interpretation on a specific issue regardless of whether it is a domestic transaction or a transaction under reverse charge mechanism (RCM).

## Extension in the timelines of tax amnesty until 31 December 2023

On 25 July 2023, Saudi Arabia's Zakat, Tax and Customs Authority (ZATCA) announced that it is further extending the cancellation of fines and exemption of financial penalties for certain taxes to 31 December 2023.

In March 2020, the ZATCA announced the tax amnesty program for the first time. This amnesty program has been extended over the past three years, most recently until 31 May 2023. The extensions are intended to mitigate the economic and financial effects of the COVID-19 pandemic on establishments.



# Kingdom of Saudi Arabia

## Saudi Arabia announces seventh wave of Phase 2 e-invoicing integration

On 28 July 2023, the Saudi Arabia Zakat, Tax and Customs Authority (ZATCA) announced that taxpayers resident in Saudi Arabia, with a taxable turnover exceeding 50m Saudi Riyal (SAR50m) during calendar year 2021 or 2022 will fall within the seventh wave of Phase 2 e-invoicing integration and should comply with the Phase 2 requirements.

The ZATCA will notify the impacted taxpayers in preparation for linking and integrating their electronic invoicing systems with the ZATCA's e-invoicing platform (Fatoorah).



## Saudi Arabia approved amendments to the VAT implementing regulations

The Board of Directors of Zakat, Tax and Customs Authority ('ZATCA') through decision number (01-04-23) dated 26/11/1444 (corresponding to 15 June 2023) have approved amendments/additions to the various provisions of the VAT Implementing Regulations. The effective date of the aforesaid amendments/additions is from the date of publication in the official gazette 23 June 2023.

Below are some highlights from the amendments:

- Article 36: Supplies provided by qualified suppliers to diplomatic missions will be subject to 0% VAT.
- Article 40 (7) d –The ZATCA will permit organisations, who are not legally obliged to be audited, the submission of additional supporting documentation on bad debts to validate their claims.
- Article 63 (3) -The maximum amount for rectifying errors in subsequent VAT returns has been raised from Saudi Riyals ('SAR') 10,000 to SAR 15,000.

## Kuwait

### Finance ministry eyes major tax changes

The Finance Ministry in Kuwait has decided to exclude the application of value-added tax (VAT) from its plans for at least the next three years. This decision comes as the government anticipates widespread rejection of VAT at both the popular and parliamentary levels. Instead, the government is considering the implementation of an excise tax as its primary choice for tax collection.

The proposed excise tax is expected to cover various items, including tobacco and its derivatives, soft and sweetened drinks, as well as luxury goods such as watches, jewelry, precious stones, luxury cars, and yachts. The tax rates for these goods are likely to range between 10 and 25 percent.

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”

## Sultanate of Oman

### Oman's Consultative Assembly Approves Signing of Tax Treaty with Kazakhstan

On 18 July 2023 the lower house of parliament in Oman approved the draft of Convention between the Government of the Republic of Kazakhstan and the Government of the Sultanate of Oman for the elimination of double taxation and prevention of tax evasion with respect to taxes on income and capital.

The treaty will be the first of its kind between the two countries and must be signed and ratified before entering into force.

## State of Qatar

### Egyptian Parliament Approves Pending Tax Treaty with Qatar

On 11 July 2023, the Egyptian parliament approved the ratification of the pending income tax treaty with Qatar. The treaty signed on 27 February 2023 is the first of its kind between the two countries and will enter into force after the ratification instruments are exchanged.



## Indian authorities proposes 28% levy on casinos, horseracing and skill-based online gaming

Indian authorities plan to introduce a new online gaming tax, fantasy sports and other real-money games. On 2<sup>nd</sup> August 2023, the country's Goods and Services Tax Council, a federal body that sets India's indirect taxes met to finalise the 28 per cent levy on online gaming, according to industry estimates.

The council said the tax would likely take effect in October and be reviewed after six months. The new levy would mostly affect real-money games where users earn cash prizes in games like fantasy cricket or online rummy. The sector has been operating in a regulatory grey area and has attracted the interest of venture capitalists.

## China

### China extends multiple tax incentives for small businesses to the end of 2027

On August 2, 2023, China's Ministry of Finance (MOF) and State Taxation Administration (STA) jointly released multiple announcements, extending several tax incentives for small businesses till the end of 2027, including CIT, VAT, and access to preferential treatment. The extended preferential tax policies include:

- The corporate income tax (CIT) incentives for small and low-profit enterprises (SLPE).
- The value-added tax (VAT) exemptions and reductions for small-scale taxpayers.
- The reduction of "six taxes and two fees" for small-scale taxpayers, SLPEs, and individually owned businesses.
- The individual income tax (IIT) reduction policy for individually owned businesses.
- Preferential tax treatments for small enterprises, micro enterprises, and individually owned businesses to lower financing costs.

Before the extension, all these tax incentives for small businesses were supposed to expire by the end of 2023 or 2024.

## Egypt

### Egyptian Government amending provisions of the Income Tax Law

On 15 June 2023, the Egyptian Government published Law No. 30 of 2023 in the Official Gazette. The Amending Law introduces significant amendments to the provisions of Income Tax Law No. 91 of 2005 (Tax Law of 2005).

Key amendments relate to corporate tax, Permanent establishment (PE), Financing (offshore loans) and deductibility limitations, Capital gains tax (CGT), Dividends withholding tax (WHT), Salary tax, etc.,

The amendments are effective from 1 July 2023 for salary tax, and for other items the amendments are applicable on the tax period that ends after the issuance date of the Amending Law.





# Cyprus

## Cyprus circular on minimum Transfer Pricing documentation and simplification measures

On 6 July 2023, the Cyprus Tax Department published Circular 6/2023 on minimum transfer pricing documentation and simplification measures (safe harbors) for taxpayers not required to prepare a Local file. In general, cumulative controlled transactions not exceeding EUR 750,000 per category per year are not required to be included in the Local file as per Article 33(9)(a) of the income tax law. In this respect, the Circular clarifies that when a category of controlled transactions is not required to be included in the Local file, minimum documentation is still required, including:

- a) Brief description of the functional analysis (functions, assets, risks);
- b) Description of the functional profile of the entity, based on the results of the functional analysis;
- c) Reasoning for selection of the most appropriate TP method; and
- d) Determination of the arm's length price(s) supported by relevant benchmarking results using internal or external comparables or any other relevant economic analysis compliant with the OECD Transfer Pricing Guidelines.

The Circular clarifies that when a taxpayer is exempted from preparing a Local file, the taxpayer may choose to use simplification measures for the following subcategories of controlled transactions:

- Financing transactions between related parties financed by borrowings;
- Financing transactions between related parties financed by equity (own capital);
- Financing obtained from related parties to the extent used in the business; and
- Low value-adding services.



The Cyprus Tax Department has published Circular 7/2023 on transfer pricing for intra-group back-to-back financing transactions (loans).



## Cyprus Circular on Transfer Pricing Method for Back-to-Back Loans

The Cyprus Tax Department has published Circular 7/2023 on transfer pricing for intra-group back-to-back financing transactions (loans). The Circular provides that from tax year 2023 (1 January 2023), the comparable uncontrolled price (CUP) method will be considered the appropriate method in documenting the arm's length price for back-to-back financing transactions as per the OECD Transfer Pricing Guidelines.

The Circular further emphasizes that the use of any other method is only allowed in exceptional cases and is subject to prior approval from the Tax Commissioner through a tax ruling.



## Germany

### German Ministry of Finance publishes draft tax reform bill

On 14 July 2023, the German Ministry of Finance (MoF) published a draft tax reform bill entitled "Act to strengthen growth opportunities, investment and innovation as well as tax simplification and tax fairness."

The draft bill includes investment premium, increased research and development (R&D) allowance, changes for partnerships and an expansion of the deduction for tax-loss carryforwards. Moreover, the draft proposes changes to the interest deduction limitation and a reporting obligation for domestic tax arrangements.

### Germany finalizing draft law for Pillar 2 Global Minimum Tax

On 10 July 2023, the German Federal Ministry of Finance released a draft law that would transpose the EU minimum taxation directive into domestic law. EU Member States had reached agreement on 12 December 2022 to implement the minimum tax for multinational groups (and large domestic groups) under the OECD's Pillar Two model rules or GloBE rules.

The proposed measures in Germany's Minimum Taxation Directive Implementation Act also include revisions to various domestic tax laws that will be necessary as part of the implementation of the directive. The draft rules are in line with the EU directive and the Pillar 2 Model Rules published by the OECD/Inclusive Framework.

Under the proposed rules, the income of all covered group members would ultimately be subject to tax at an effective minimum rate of 15%. Where the 15% rate is not reached, an additional tax equal to the difference between the actual rate and the 15% rate would have to be paid at the level of the ultimate parent company.

# United Kingdom

## UK Draft Legislation for Finance Bill 2023-24

UK HMRC and HM Treasury has published a collection of draft legislation policy papers for Finance Bill 2023-24. The draft legislation published will introduce a new permanent rate of relief for the most Research and Development (R&D) intensive, loss-making small and medium-sized enterprises (SMEs) from 1 April 2023 and other changes such as:

- Creative industry tax reliefs: administrative changes
- Clarifications of the rules for cultural tax reliefs
- Reform of audio-visual creative tax reliefs to expenditure credits
- Increasing the capital allowance limits for leasing into tonnage tax
- Tonnage tax elections to include third party ship managers
- amendments to the Real Estate Investment Trust regime

## UK publishes requirements for Transfer Pricing records

The UK's Finance (No. 2) Act 2023 authorized regulations to be introduced to specify the form and manner in which relevant Transfer Pricing records are to be kept and preserved with reference to the Organisation for Economic Co-operation and Development's (OECD's) Transfer Pricing Guidelines.

The Transfer Pricing Records Regulations 2023 have now been laid in Parliament and will come into force on 9 August 2023. UK entities that are members of a Multinational Enterprise (MNE) group that meets the Country-by-Country Reporting (CbCR) threshold in a given period are within scope of this legislation.

HMRC has also added a new Transfer Pricing Records section to its International Manual to provide detailed guidance on the new requirements.

## HMRC late payment interest rates to be revised after Bank of England increases base rate

On 22 June 2023, The Bank of England Monetary Policy Committee announced to increase the Bank of England base rate to 5% from 4.5%. As a consequence of the change in the base rate, HMRC interest rates for late payment and repayment will increase.

These changes will come into effect on 3 July 2023 for quarterly instalment payments and 11 July 2023 for non-quarterly instalments payments. Late payment interest is set at base rate plus 2.5%. Repayment interest is set at base rate minus 1%, with a lower limit - or 'minimum floor' - of 0.5%.



# Our

# Services

## Audit & Assurance

- External Audit
- Internal Audit
- Due Diligence Review
- Investigation
- IFRS Advisory Services
- Business Valuation
- Project Cost Audit
- Forensic Audit & Fraud Investigation
- Anti-Money Laundering (AML) Compliance

## Business Advisory & Consulting

- CFO Services
- Trade Finance
- Working Capital Finance
- Project Finance
- Financial Feasibility Study
- Business Feasibility Study
- Market Research & Business Plan
- Mergers & 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
  - ✓ Review of International Transactions
  - ✓ 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)
- United Auditing (Affiliated to IECnet)
- ECA Taxation
- Emirates CA Consultancy WLL
- ECAG LTD
- ECAG India



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