



Tax ^{'23} February Updates

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Tax updates

2023 February Edition

Dear Readers,

“Learning is not attained by chance; it must be sought for with ardour and attended to with diligence.”

I hope our monthly tax update finds you all well as we continue to navigate the ever-changing landscape of tax laws and regulations.

Emirates Chartered Accountants Group is taking proactive steps to help businesses in the UAE prepare for the Corporate Tax and Transfer Pricing regime. Our physical events for businesses, professionals, and industrialists in the UAE are in full swing providing valuable service to the community and promoting compliance and good tax practices.

The focus is on the key aspects, compliance, and the way forward as it is essential in ensuring business compliances across the UAE. Being well-prepared for the introduction of the Corporate Tax and Transfer Pricing regime is crucial so that businesses assess the impact of these changes and take action to ensure a smooth implementation.

We are committed to providing our clients with the highest level of service and expertise, and this includes staying informed about the latest tax updates. Our team of tax professionals works hard to keep our clients informed and in compliance, and I am proud of the work they do.

I encourage every one of you to stay informed about these tax updates and reach out to our tax team if you have any questions or concerns.

We hope you enjoy reading and learning from our monthly Tax Updates!

CA. Manu Palerichal
CEO & Partner



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United Arab Emirates

Ministry of Finance (MoF) issues decision on implementation of certain provisions on determination of tax residency

The UAE MoF released Ministerial Decision No. 27 of 2023 on implementation of certain provisions of Cabinet Decision No. 85 of 2022 on determining tax residency for natural persons and legal persons on 01 March 2023.

This decision clarifies on the following aspects:

- What constitutes an individual's 'usual place of residence'?
- How to calculate the time period to meet the threshold of 183 or 90 days as applicable?
- What constitutes permanent place of residence?

It also indicates that further clarifications and directives to determine tax residency shall be issued in future.

Ras Al Khaimah launches free zone for digital and virtual asset firms

The Government of Ras Al Khaimah (RAK) has launched the RAK Digital Assets Oasis, which is the world's first free zone dedicated to digital and virtual asset companies.

This free zone is designed to facilitate non-regulated activities in the virtual assets sector and will be the only free zone in the world dedicated solely to digital and virtual assets service providers. The RAK Digital Assets Oasis aims to support companies innovating in new and emerging sectors such as the metaverse, blockchain, utility tokens, virtual asset wallets, NFTs, DAOs, DApp, and other Web3-related businesses.

It is expected to open for applications in the second quarter of 2023.

MoF launches third phase of Digital Procurement Platform (DPP)

MoF has introduced the third phase of the Digital Procurement Platform (DPP). This platform is designed to streamline and digitize the procurement process across all UAE federal entities, making it easier for registered suppliers to participate in bidding and for federal entities to manage procurement activities.

With the deployment of the DPP, 32 ministries and federal entities are now able to complete all stages of the procurement process online, including announcement, bidding, following up on tenders, placing purchase orders, and generating invoices.



Kingdom of Bahrain

Re-enabling of standard rated sales field at 5% in the VAT return form

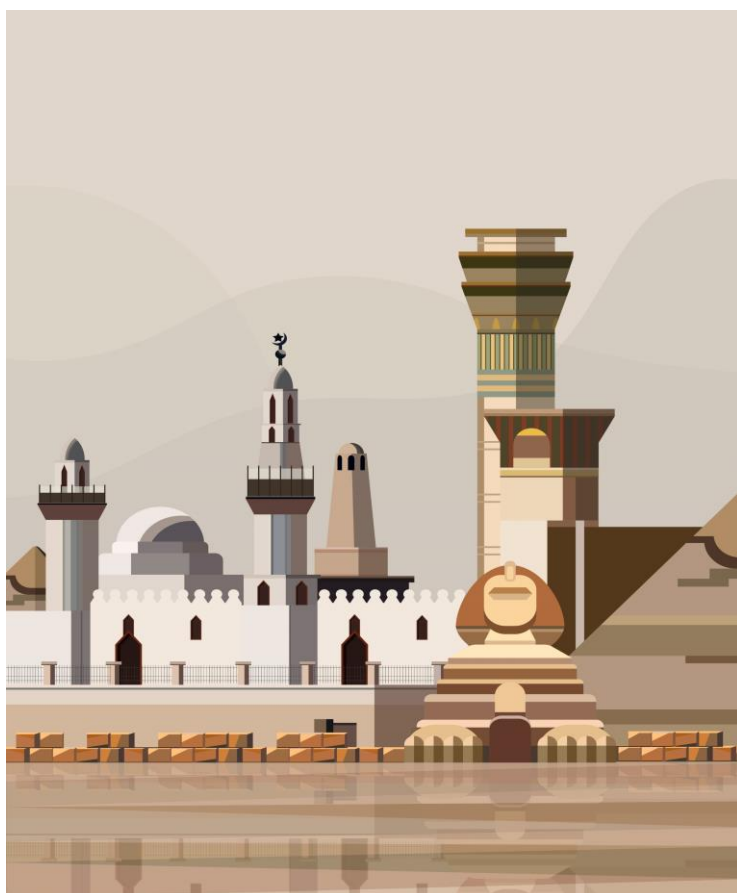
The National Board of Revenue (NBR) is currently in the process of re-enabling the standard rated sales field at 5% in the VAT Return form. This will allow companies to declare sales and adjustments related to transactions falling under this category as per the Bahrain VAT Law and Regulations, and the transitional provisions related to the VAT standard rate change.

In the meantime, registrants are advised to file their VAT Return based on the available fields in the current VAT Return form. The NBR will notify all registrants once the field is re-enabled.

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Kingdom of Saudi Arabia

Tax Treaty between Saudi Arabia and Sri Lanka Signed

On 27 January 2023, officials from Saudi Arabia and Sri Lanka signed an income tax treaty.

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

State of Qatar

Qatar enacts amendments to Income Tax Law

On 2 February 2023, Qatar published Law No. 11 of 2022 in the Official Gazette, introducing several changes to the Income Tax Law (Law No. 24 of 2018).

The few significant amendments relate to the scope of taxable activities, exemptions, noncompliance penalties, and powers of the General Tax Authority (GTA) are as under:

- New provisions for a minimum effective tax rate of 15% through a qualified domestic minimum top-up tax (QDMTT) for in-scope entities based on the Pillar 2 global minimum tax (GloBE) rules;
- New provisions for the taxation of certain income arising from sources outside Qatar, including income from immovable property, dividends, royalties, interest, technical service fees, and other services as long as such income is not attributable to a foreign permanent establishment;
- New foreign tax credit provisions to provide a credit for foreign tax paid on the foreign source income that has become taxable in Qatar, subject to certain conditions;
- New reporting requirements in relation to substance and core activities, along with a rule that a Qatar tax residency certificate will not be issued to entities not meeting substantial activity requirements, as well as a penalty equal to 15% of net income where the requirements are not met; and
- New ultimate beneficial owner (UBO) requirements, that include maintenance and submission of accurate information on UBOs of companies, partnerships, foundations, etc.

Certain Other Jurisdictions

OECD

Financial crime watchdog adds South Africa to 'grey list'

International financial crime watchdog the Financial Action Task Force (FATF) on Friday added South Africa to its "grey list" of countries under special scrutiny to implement standards to prevent money laundering and terrorism financing.

Being added to the list is a reputational setback for Africa's most advanced economy, which has been trying to address shortcomings identified by the FATF.

The Paris-based FATF also added Nigeria, Africa's biggest economy, to its grey-list.

OECD publishes comments received on design elements of Amount B under Pillar One

The OECD has published the comments received on the public consultation on the design elements of Amount B under Pillar One for the simplification of transfer pricing rules.

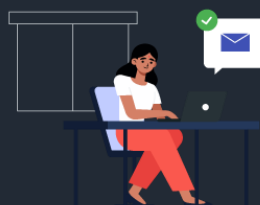
On 8 December 2022, as part of the ongoing work of the OECD/G20 Inclusive Framework on BEPS to implement the Two-Pillar Solution to address the tax challenges arising from the digitalisation of the economy, the OECD invited public comments on the design elements of Amount B under Pillar One relating to the simplification of transfer pricing rules.

OECD releases manual on handling Multilateral Mutual Agreement Procedures and Advance Pricing Arrangements

In line with the Forum on Tax Administration's tax certainty agenda, the OECD has published a Manual on the Handling of Multilateral Mutual Agreement Procedures (MAPs) and Advance Pricing Arrangements (APAs).

The MoMA is intended as a guide to multilateral MAP and APA processes from both a legal and procedural perspective and suggests different approaches based on the practices of jurisdictions, without imposing a set of binding rules.

This will help in cases where jurisdictions have limited experience in coordinating bilateral MAP and APA cases to offer multilateral certainty.





Technical guidance for implementation of Pillar 2 Global Minimum Tax

On 2nd February 2023, the OECD/G20 Inclusive Framework on BEPS released today technical guidance to assist governments with implementation of the landmark reform to the international tax system, which will ensure multinational enterprises (MNEs) will be subject to a 15% effective minimum tax rate.

The Administrative Guidance for the Pillar Two GloBE Rules has been released to provide businesses with co-ordinated outcomes and greater certainty as they apply the global minimum corporate tax rules from the start of 2024. This document covers guidance on the recognition of the United States' minimum tax, design of Qualified Domestic Minimum Top-up Taxes, and more general guidance on the scope, operation, and transitional elements of the GloBE Rules.

The guidance is intended to help Inclusive Framework members in the process of implementing the rules to reflect this guidance in their domestic legislation in a co-ordinated way, addressing stakeholder feedback on technical issues like the collection of top-up tax and treatment of debt releases and certain tax credit equity structures. Under Pillar One, technical work is still ongoing with the aim to finalise a new Multilateral Convention by mid-2023, for entry into force in 2024.

International Monetary Fund (IMF) concludes OECD's Two-Pillar Solution

On 6 February 2023, the IMF published a [policy paper](#) on the BEPS Inclusive Framework agreement for the OECD's two-pillar solution to the challenges of the digitalization of the economy through a new allocation of taxing rights to market economies (Pillar 1) and tax competition through a global minimum corporate tax (Pillar 2).

The paper concludes that the agreement will make the international tax system more robust to tax spillovers, better equipped to address digitalization, and modestly raises global tax revenues.

Mauritius

Mauritius published the synthesized texts of the tax treaties with Qatar, United Arab Emirates, and United Kingdom

The Mauritius Revenue Authority (MRA) has published the synthesized texts of the tax treaties with Qatar, the United Arab Emirates, and the United Kingdom as impacted by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).

The synthesized texts were prepared on the basis of the reservations and notifications submitted to the Depository by the respective countries. The authentic legal texts of the treaties and the MLI take precedence and remain the legal texts applicable.

Singapore

Singapore updates guidance for increase in personal income tax rates

The Inland Revenue Authority of Singapore (IRAS) updates its guidance on Individual Income Tax rates on 13 February 2023, noting the increase in the top marginal personal income tax rates with effect from year of assessment (YA) 2024 (income year 2023).

This includes new top rates of 23% on income of SGD 500,000 and 24% on income over SGD 1 million.

Along with the new top rates, the income tax rate for non-resident individuals increased from 22% to 24%.

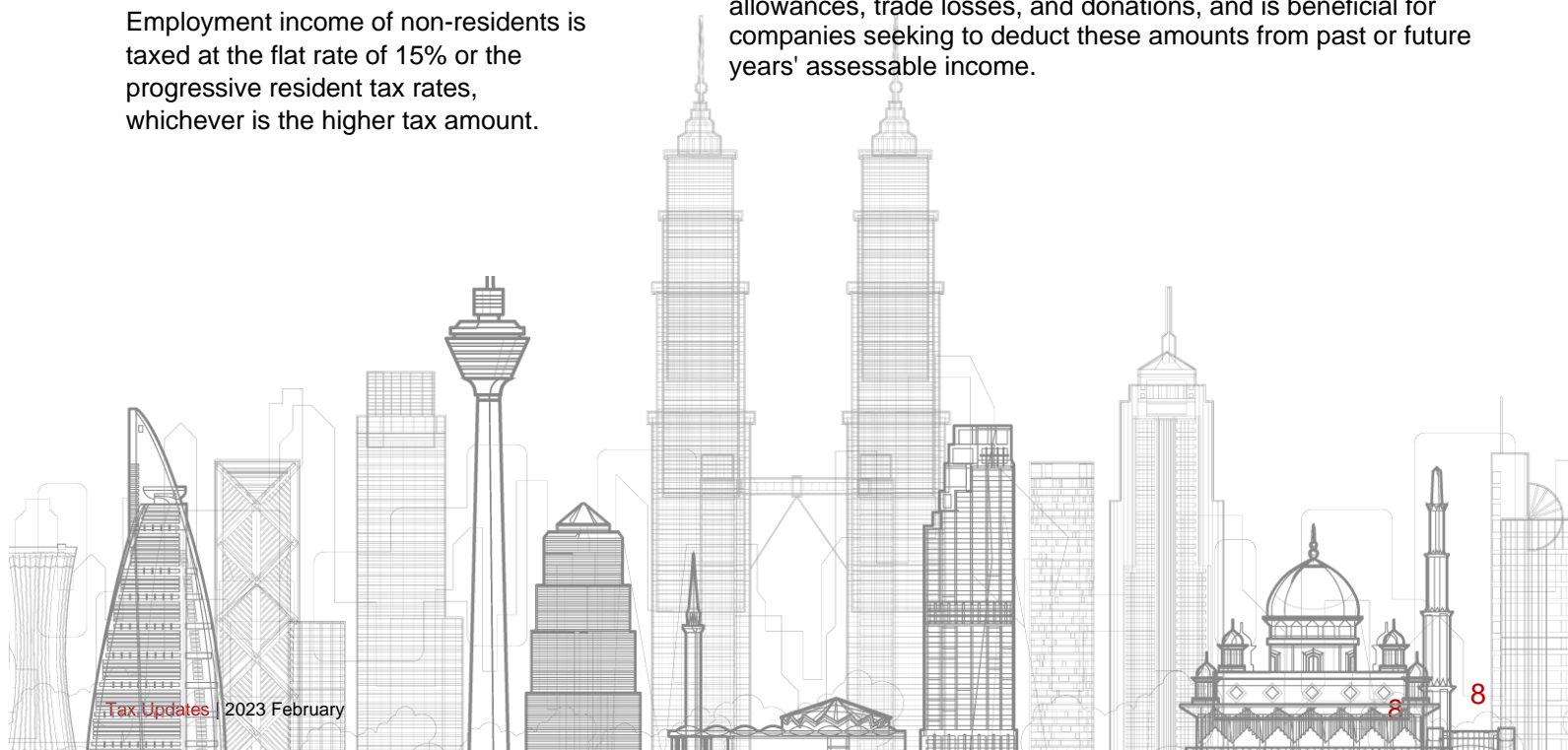
Employment income of non-residents is taxed at the flat rate of 15% or the progressive resident tax rates, whichever is the higher tax amount.

Singapore plans to implement GloBE Rules and Domestic Top-up Tax from 1 January 2025

on 14 February 2023, Singapore announced in its Budget 2023, that it plans to implement the Global Anti-Base Erosion (GloBE) Rules (i.e., Income Inclusion Rule (IIR) and Undertaxed Profits rule (UTPR)) and Domestic Top-up Tax (DTT) for businesses with financial years starting on or after 1 January 2025.

Singapore Updates e-Tax guide utilizing unabsorbed capital allowances, trade losses, and donations

The updated e-Tax Guide titled "Utilising Unabsorbed Capital Allowances, Trade Losses and Donations (Second Edition)" has been released by the Inland Revenue Authority of Singapore. This guide outlines the administrative procedures pertaining to the carry-forward and carry-back of unabsorbed capital allowances, trade losses, and donations, and is beneficial for companies seeking to deduct these amounts from past or future years' assessable income.



United Kingdom

UK temporarily reduces stamp duty land tax on residential property

On 8 February 2023, the Stamp Duty Land Tax (Temporary Relief) Act 2023 received Royal Assent and was subsequently published by the UK government. This Act serves to temporarily lower the amount of stamp duty land tax owed on residential property acquisitions by adjusting the bracket rates and thresholds in relation to the acquisition price. If purchasing a single residential property, the applicable bracket rates and thresholds are as follows:

- up to GBP 250,000 - 0%
- over GBP 250,000 up to GBP 925,000 - 5%
- over GBP 925,000 up to GBP 1,500,000 - 10%
- over GBP 1,500,000 - 12%

These rates will remain in effect from 23 September 2022 until 31 March 2025, following which they will revert to the rates that were in effect until 22 September 2022 unless further adjustments are made.

UK confirms it will not proceed with Online Sales Tax (OST)

The government ran an open consultation exploring the arguments for and against an OST, the various design options and its potential impacts. It conducted extensive engagement with stakeholders and assessed large number of responses submitted over the course of the consultation. In light of the concerns raised and the absence of credible solutions to the challenges identified in the consultation, Ultimately, the government has decided not to proceed with the OST due to unresolved challenges and concerns, and this decision was communicated during the Autumn Statement 2022.

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Our

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- 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

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