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Tax Updates

'22 February

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Tax *updates*

2022 February Edition

United Arab Emirates

Updated Voluntary Disclosure User Guide on VAT and Excise Tax

The Federal Tax Authority ('FTA') has issued an amended Voluntary Disclosure User Guide for VAT and Excise Tax ("VD User Guide"), an update to the version issued in July 2018.

The updated VD User Guide gives further explanations on requirements and procedures specifically related to the submission of Voluntary Disclosures for active and deregistered Tax Groups, summarized below.

Tax Group Voluntary Disclosures shall be submitted by the active Group representative member only, or by the last representative member before the Tax Group was deregistered.

Other Tax Group members can only view submissions made to the FTA by the representative member.

Voluntary Disclosures can be submitted against submitted VAT returns, acknowledged Voluntary Disclosures, or acknowledged tax assessments. The VD User Guide provides separate procedures on how to access the Voluntary Disclosure form in each of the scenarios above.

Kingdom of Bahrain

Kingdom of Bahrain Publishes VAT Return Filing Manuals for 2022

Kingdom of Bahrain's National Bureau for Revenue (NBR) has published two VAT return filing manuals to provide VAT payers with the necessary guidance to submit the VAT return form after the change in the standard rate from 5% to 10% with effect from 1 January 2022. The manuals include:

- VAT Return Filing Manual Applicable for VAT Periods in 2022
- Simplified VAT Return Filing Manual Applicable for VAT Periods in 2022

Both manuals provide guidance on how the VAT returns are submitted (the process), as well as return filing scenarios with examples and frequently asked questions (FAQs).

The first tax period subject to the 10% VAT rate is the monthly period 1 to 31 January 2022, with the return for period due by 28 February 2022.

Tax Treaty between Kingdom of Bahrain and Israel to be negotiated

On 15 February 2022, the Israeli government issued a joint statement on the first-ever official state visit by an Israeli prime minister to the Kingdom of Bahrain.

During the visit, leaders of the two countries agreed to expedite joint work for 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.

Kingdom of Saudi Arabia

Kingdom of Saudi Arabia: Data Protection Legislation

Saudi Arabia recently implemented a Personal Data Protection Law – Saudi Arabia Cabinet Decision No 98/1443 ('PDPL') which will come into effect on 23 March 2022.

Data Controllers have a one year window from this date to ensure they are complying. The Executive Regulations are expected to be published soon to provide further details on the steps needed.

Zakat, Tax and Customs Authority launches Its New Application "ZATCA" for Smartphones

Under a new initiative to develop the electronic services offered by the Kingdom of Saudi Arabia's government financial arm, The Zakat, Tax and Customs Authority (ZATCA) has launched a new smartphone app called "ZATCA" which will enable taxpayers to perform their services quickly and virtually. The new app would help assist the authority website in facilitating internet-based customer service.

The application will allow taxpayers to enquire about the payment process and view the taxpayer account statement in addition to customer services like customs tariff and custom declaration service. It also offers a safe electronic payment system where customers can execute their online payments safely. This will help reduce customer visits to authority branches thus increasing the efficiency of the system and the satisfaction of the customer.

The issuance of guidelines for electronic services provided by authority is expected with the release of application on Google Play and Apple App Store.

Kingdom of Saudi Arabia Amends Regulations for Real Estate Transaction Tax

The Saudi Zakat, Tax, and Customs Authority (ZATCA) has issued a release announcing amendments to the executive regulations for the Real Estate Transaction Tax (RETT). The RETT was introduced in October 2020 at a rate of 5%, replacing VAT on real estate supplies. The amendments to the regulations are effective from 18 February 2022.

One of the main changes concerns the payment date for the RETT, which is set to on or before the date of documentation of a sale with the notary or approved (certified) notary, without having to pay the tax on or before the date the sales contract is concluded between the buyer and the owner of the property.

Several amendments are also made in relation to transactions between individuals, including that the exemption for donating/gifting property between relatives up to the third degree may qualify for exemption, instead of up to the second degree. This is subject to the condition that the property is not further transferred within three years to a person that would not have qualified for exemption if the property was transferred directly from the original owner.

Sultanate of Oman

Oman Looking to Negotiate and Sign Tax Treaty with Ethiopia

Oman has reportedly expressed its interest in the negotiation and signing of an income tax treaty with Ethiopia.

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.

Qatar

Taxpayers can request to extended 2021 corporate income tax return filing date

The deadline to submit corporate income tax returns for the year ending 31 December 2021 under the State of Qatar tax regime is 30 April 2022.

Qatar's General Tax Authority (GTA) has the discretion to accept a request to extend the deadline to submit the return. A request for an extension of the tax filing deadline for the year ended 31 December 2021 must be filed by 28 February 2022.

Taxpayers seeking an extension must submit an application via the Dhareeba portal stating the basis of their request.

The extension may be granted for a period of up to four months where taxpayers are able to provide reasonable grounds for not meeting the original deadline of four months after the tax year-end.

Taxpayers wishing to apply for an extension should ensure that they take the necessary action to submit a request to the GTA by the **28 February 2022** deadline.

Certain Other Jurisdictions

OECD

G20 Finance Ministers and Central Bank Governors Remain Committed to OECD's Two-Pillar Solution

The U.S. Treasury has published the official communiqué issued after the G20 Finance Ministers and Central Bank Governors Meeting that was held on 17 to 18 February 2022. This includes a continued commitment to the implementation of the OECD's two-pillar solution for international tax reform.

With respect to taxation, the communiqué includes the following:

"To ensure the swift global implementation of the historic OECD/G20 two-pillar international tax package agreed in 2021, we commit to develop the model rules and multilateral instruments according to the timetable provided in the Detailed Implementation Plan, with a view to ensure that the new rules will come into effect at global level in 2023. We welcome the technical design of the Global anti-base erosion Model Rules for Pillar 2 adopted by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS), and call for their finalization and consistent implementation at a global level as a common approach. We also welcome the ongoing development of the Multilateral Convention for Pillar 1. ....."

OECD launches public consultation on Pillar One draft model rules for tax base determination

Following the public consultation regarding **draft model rules** on revenue sourcing and nexus, the OECD on February 18, 2022 released draft model rules for tax base determinations under Amount A of Pillar One.

The OECD is seeking public comments on these draft rules and has invited interested parties to send their written responses no later than March 4, 2022. Comments on this discussion draft should be sent electronically (in Word format) by email to: tfde@oecd.org.

India

India Issues Circular Clarifying Application of MFN Clause in Tax Treaties

India's Central Board of Direct taxes has issued Circular No. 3/2022 of 3 February 2022, providing clarification regarding the Most-Favored-Nation (MFN) clause in India's tax treaties.

In particular, the circular addresses the tax treaties with France, the Netherlands, and Switzerland, the competent authorities of which have issued decisions that the MFN clause of the relevant treaty with India was triggered by treaties with countries that were not OECD members when the treaties with India were signed, but subsequently became OECD members. These include India's tax treaties with Slovenia, Colombia, and Lithuania, which provide for a lower rate of withholding tax on certain income.

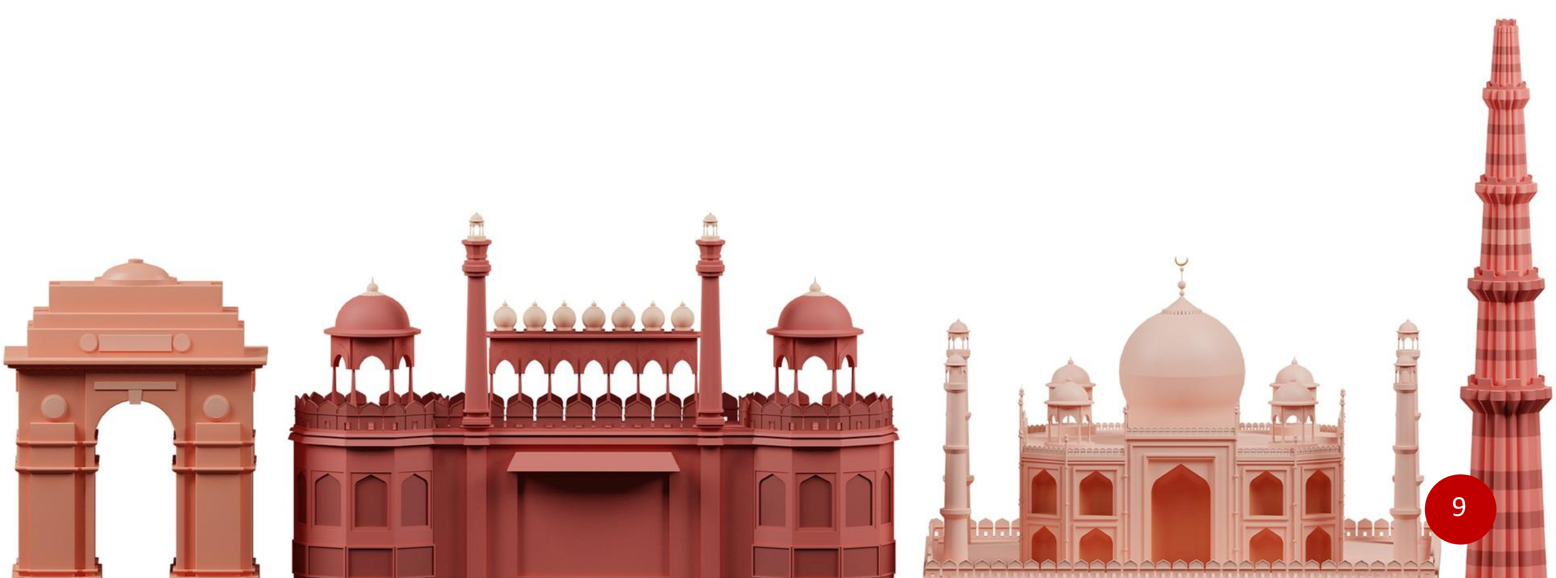
The circular provides that the decisions of the aforementioned tax authorities were not made in consultation with India and such unilateral decisions do impact India's application of the respective treaties and MFN clauses. It is clarified that the applicability of an MFN clause and the benefit of the lower rate or restricted scope of source taxation rights in relation to certain items of income (such as dividends, interest income, royalties, fees for technical services, etc.) provided in India's tax treaties with third States will be available to the first (OECD) State only when all the following conditions are met:

- The second treaty (with the third State) is entered into after the signature/ entry into force (depending upon the language of the MFN clause) of the treaty between India and the first State;
- The second treaty is entered into between India and a State that is a member of the OECD at the time of signing the treaty;
- India limits its taxing rights in the second treaty in relation to rate or scope of taxation in respect of the relevant items of income; and
- A separate notification has been issued by India, importing the benefits of the second treaty into the treaty with the first State, as required by the provisions of sub-section (1) of Section 90 of the Income Tax Act, 1961.

If all the above conditions are satisfied, then the lower rate or restricted scope in the treaty with the third State is imported into the treaty with the first State having an MFN clause from the date as per the provisions of the MFN clause in the respective treaty, after following the due procedure under the Indian tax law.

It is further clarified that India has not issued any notification importing the benefit of treaties with Slovenia, Lithuania, and Colombia to the treaties with France, the Netherlands, or Switzerland by virtue of the respective MFN clauses.

It is clarified that the above conditions apply unless an Indian court has ordered otherwise for a specific case.



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