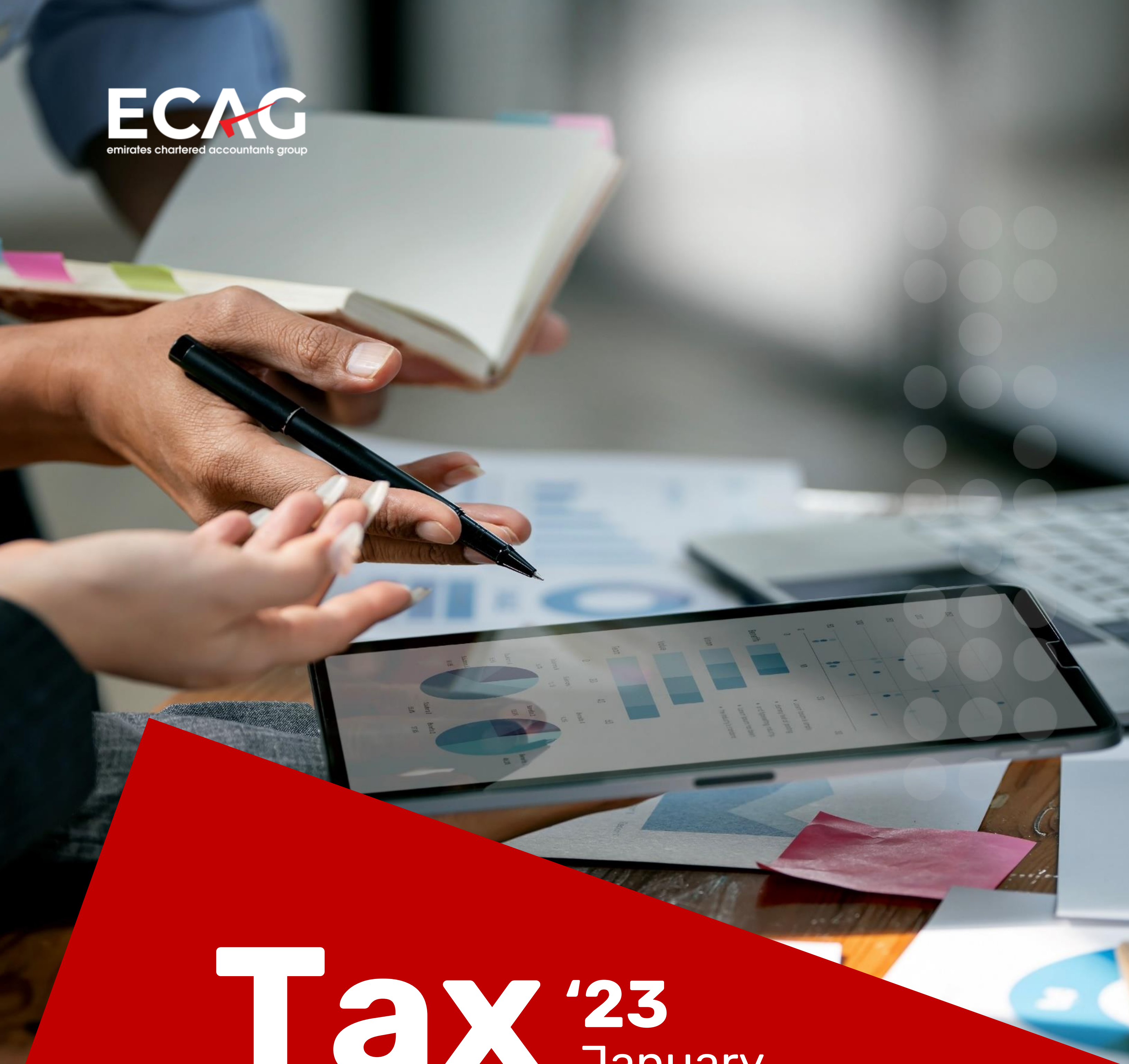

ECAG
emirates chartered accountants group

Tax '23 January Updates

united auditing
Audit Division

Tax updates

2023 January Edition

Dear Readers,

“Knowledge is power. Information is liberating. **Education is the premise of progress,** in every society, in every family.” Happy Reading!

The Dubai Financial Market Company (DFM) reported a 41.7% increase in its net profit, reaching Dhs147.1m for the fiscal year 2022. The DFM's investor base also grew to over 1 million with the addition of 167,332 new investors.

Dubai experienced a 5.5% growth in energy demand in 2022, reaching 53,180 gigawatt-hours.

Yes, it does seem like a positive start to the year with positive economic growth and continued efforts towards education and informed decision making.

The preparations for the implementation of the Corporate Tax [CT] Law in the UAE are ongoing and progressing actively. The focus is likely on making sure that everything including systems, processes, and resources is in place and ready for compliance.

To make businesses aware of their obligations and responsibilities under the new law ECAG also conducted an onsite awareness session on corporate tax last week which was attended by 100+ business owners and finance professionals.

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

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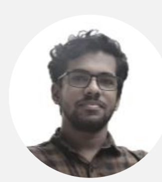


Hareesh Mohanan
Designer

Contents

United Arab Emirates

Federal Tax Authority (FTA) opens registration for Corporate Tax (CT)

On 22 January 2023, FTA announced that it has launched registration for CT through EmaraTax platform.

As per the CT Regulations all taxable persons (both legal and natural) are required to register for CT and obtain a Tax Registration Number. At present CT registration is open for the UAE Public Joint Stock Company and UAE Private Company.

A taxable person would get time upto the date of filing of first Tax return to register itself. i.e. for taxable persons having year ending 31 May, a period of 26 months (until 28 February 2025) is available for registration.

For taxable persons with a financial year ending 31 December, a registration period of 33 months (i.e until 30 September 2025) is available.

FTA has also released a User Manual containing guidelines and instructions to navigate through the EmaraTax portal.

Login to EmaraTax using UAE PASS

In January 2023, Federal Tax authority has released step by step guidance to login to the EmaraTax Portal using the UAE PASS account.

The UAE PASS app is the first national digital identity and signature solution that enables users to identify themselves to government service providers in all emirates through a smartphone-based authentication. It also enables users to sign documents digitally with a high level of security.

It also explains how to signup in EmaraTax and create an account using UAE PASS in case you do not have an EmaraTax account.

Ministry of Finance (MOF) confirms taxable income under new Corporate Tax Regime

The MOF has published the Cabinet Decision No. 116 of 2022 regarding the taxable income threshold for Corporate Tax. The decision follows the issuance of Federal Decree Law on the Taxation of Corporations and Business (the "Corporate Tax Law") in December 2022.

The taxable income of the taxable person that does not exceed the amount of three hundred and seventy-five thousand (375,000) dirhams is subject to corporate tax at the rate of zero percent (0%) in the tax period, regardless of whether the taxable person carries on several businesses or business activities in that tax period. A 9% rate will apply to taxable income exceeding AED 375,000 during the relevant tax period.

Attestation required for Import services more than AED 10,000

The Ministry of Foreign Affairs and International Cooperation has announced that beginning February 1, 2023 all import invoices worth AED 10,000 or more must be attested by the Ministry. This announcement is in line with the Customs Notice No. (11/2022) issued on 2nd November 2022.

“Pursuant to UAE Cabinet Decision No. (38) of 2022 on the attestation fees of commercial invoices and certificates of origin for importers into the United Arab Emirates, all imports into the country must be accompanied by an invoice attested by MoFAIC,” the entity said on social media.

The attestation cost will be Dh 150per commercial invoice and customer will have a grace period of 14 days after the declaration of goods to comply with the attestation. A penalty of DH 500 will be imposed on businesses that fail to comply.

Extension of Increased import duty on rebar and Wire Rod

Further to provisions of Customs notice No. 10/2022, the Customs Authority has declared the increase in import duty on rebar and wire rod from 5% to 10% to be continued until 7th November 2023 vide Customs Notice No. (01/2023) issued on 20th January 2023.

Ministry of Industry and Advanced Technology (MOIAT) reduced the service fees to align with ''Make in the Emirates" initiative

The UAE government is reducing the cost of doing business as part of the 'Make in the Emirates' initiative to attract investors and support entrepreneurship and SMEs in the industrial sector.

The drive inter-alia includes reducing the fee for issuing of a

- product conformity certificate from AED 1,000 to AED 670
- conformity certificate for optional products from AED 3,700 to AED 1,720
- license to use the Emirates quality mark from AED 26,000 to AED 2,000
- license to use the National halal mark from AED 18,000 to AED 2,000
- registering conformity assessment bodies from AED 7,500 to AED 5,000.

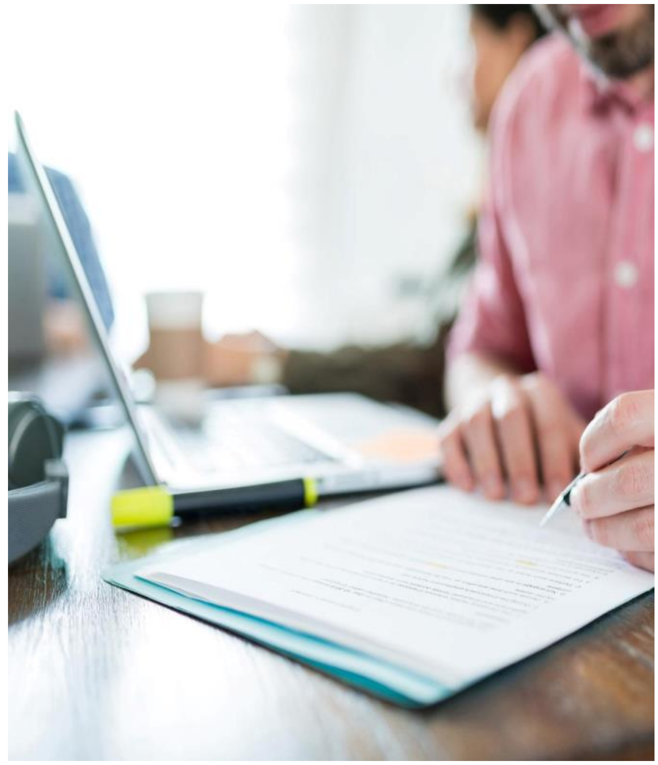
UAE announces new family law for non-Muslim expatriates

The UAE has announced new laws for non-Muslim expatriates covering key family matters such as marriage, divorce, inheritance and child custody.

The Federal Decree law on Personal Status (Federal Law No. 41 of 2022) comes into force from 1st February 2023.

The new Law is set to govern key family matters such as marriage, divorce, child custody and inheritance, seeks to promote equality between men and women, address the issue of joint child custody and expedite divorce procedures for non-Muslims ex-patriates in the UAE.

This new law also regulates the procedures for inheritance, wills and proof of paternity tests for non-Muslim residents.



A new Commercial Agencies Law introduced in the UAE

The UAE has issued the new and much anticipated Federal Law No. 3 of 2022 regulating Commercial Agencies ("**New Law**"), repealing and replacing the longstanding Federal Law No. 18 of 1981, which has been amended many times including most recently in May 2020.

The New Law introduces various changes and grants for the first time, the right for international companies that are not owned by UAE nationals to act as agents for products they own, provided that such agency is new, has never been registered and does not have a commercial agent registered for it in the UAE.

The New Law also opens the door for the early termination or non-renewal of commercial agency agreements subject to the conditions provided for in the New Law being met.

It is equally important to point out that longstanding significant agency relationships have been excluded from the application of the termination and non-renewal clauses introduced by the New Law.

New Law also introduces a new mechanism to resolve disputes between parties by agreeing to go to arbitration, whenever agreed by the two parties.

Kingdom of Saudi Arabia

San Marino and Saudi Arabia Conclude Tax Treaty Negotiations

Officials from San Marino and Saudi Arabia have reportedly concluded negotiations for an income tax treaty that is to be signed in the near future.

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

Guide issued by GSZTCC on RETT regulations and appeal process

The General Secretariat of Zakat, Tax and Customs Committees ('GSZTCC') published a guideline on its official website explaining the Committees interpretation of the Real Estate Transaction Tax ('RETT') regulations and related appeal procedures.

The guideline, issued in Arabic at the moment, also contains guidance on the interpretation of the applicability of RETT, exemptions from RETT, application of penalties, tax evasions and appeal process on ZATCA decisions etc,

Kingdom of Bahrain

National Bureau for Revenue (NBR) launched the "NBR Digital Stamp" mobile application for smartphones

As part of the completion of the Digital Stamps Scheme on some excise products, the NBR launched the "NBR Digital Stamp" mobile application for smartphones. A QR code on the product will be scanned by users to confirm that the product is authentic, and the information displayed meets the standards, allowing them to verify the authenticity of the product.

When the product information does not match, or if the product does not have a digital stamp, users need to inform NBR by submitting a report through the application, which will be forwarded to the relevant authorities for investigation, aiming to combat smuggling and illegal trade, and prevent the circulation of illegal goods. The application is available for download through the Apple Store and Google Play Store.

Circular on the VAT treatment of certain supplies in the financial services industry

The Zakat, Tax and Customs Authority (ZATCA) has issued a new circular to clarify the VAT laws and provisions concerned with certain supplies of services in the financial and their application in specific circumstances.

- Supply of services by Saudi Arabia (KSA) based financial institutions to customers located outside KSA
- Incentives provided by international credit card issuers and payment network operators to KSA based financial institutions.

The Circular also includes some important definitions such as interchange fee, issuer bank, acquirer bank etc in the context of interchange services which are not available in the VAT law and its Implementing Regulations.

Consultation on used cars to be classified as Eligible goods under profit margin method for VAT purposes

The ZATCA has proposed criteria for ‘used cars’ to be classified as ‘eligible goods’ for applying profit margin method under Article 48 of the KSA VAT implementing regulations.

For the profit margin method to be applied, the following criteria must be met for the supply of used cars:

- It must be registered in the KSA
- It must have been driven on the road for personal or work purposes
- It must be suitable for reuse as it is in its condition, or after making some repairs
- The Supply must be made by a taxable person registered with ZATCA and licensed to practice the activity of car trading

The proposed classification criteria has been published on the Public Consultation Platform of the National Competitiveness Center on 4 January 2023 for public consultation.

Saudi Arabia to introduce new Zakat Collection Law and Comprehensive Investment Law

The Saudi government is currently drafting a new Zakat collection law and will also introduce a comprehensive investment law, Minister of Investment Khalid Al-Falih stated.

Speaking at the second edition of the Municipal Investment Forum (FURAS), on 24 January 2023, Al-Falih said that there are discussions with officials in the Zakat, Tax and Customs Authority (ZATCA) to ensure that the Zakat Collection Law achieves ease of doing business and transparency for investors.

Regulations of the Zakat collection law are in the making, the minister said. "We are also reconsidering the corporate income tax … There could be some initiatives in this regard," Al-Falih added.

Sultanate of Oman

Oman's 2023 budget

The Sultanate of Oman issued the State's General Budget for the Fiscal Year 2023 vide Royal Decree 1/2023.

The 2023 budget is prepared in accordance with Oman Vision 2040 and the 10th Five-Year Development Plan (2021-2025), which aims to ensure financial, economic and social stability.

The budget was prepared taking into account various factors such as the uncertainty facing global oil markets, global inflation and the establishment of the Oman Energy Development Company and Integrated Gas Company.

Abolition of withholding tax to boost investment in Oman's stock market

As reported by Muscat Daily, the leading newspaper of Oman, on 14 January 2023, H E Abdullah Salim al Salmi, executive president of the Capital Market Authority (CMA), said that, "the Royal Orders to cessate the application of tax deducted at source (TDS) on dividends and income from sukuk and bonds, to the advantage of foreign investors, affirms His Majesty's keenness to provide all factors that enhance the investment environment and make the MSX an attractive investment destination for foreign capital."

He also added that "The abolition of 10% withholding tax on stock dividends and income from bonds and sukuk owned by foreign investors is said to boost the role of the capital market as a tool for financing economic projects as part of the efforts to achieve Oman's Vision 2040."

Certain Other Jurisdictions

OECD

OECD releases results that show further progress in countering harmful tax practices

On 5 January 2023, the OECD announced the release of the latest results of peer reviews of BEPS inclusive framework members carried out by the Forum on Harmful Tax Practices (FHTP) in relation to BEPS Action 5, which were approved by the inclusive framework on 22 December 2022.

The reviews covers preferential tax regimes and "**no or only nominal tax**" jurisdictions and indicate that progress continues in countering harmful tax practices.

A global standard on "substantial activities" requirements applies to no or only nominal tax jurisdictions. In 2022, the FHTP carried out the second annual monitoring process for 12 no or only nominal tax jurisdictions to evaluate whether their substantial activities requirements are effective in practice, with the following results:

- Recommendations for substantial improvement were made to four jurisdictions (Anguilla, the Bahamas, Barbados, and the Turks and Caicos Islands);
- Areas for focused monitoring were identified for four jurisdictions (Bahrain, Bermuda, the British Virgin Islands, and the Cayman Islands); and
- **No issues were identified for four jurisdictions (Guernsey, the Isle of Man, Jersey, and the United Arab Emirates).**

The OECD announcement indicates that next annual monitoring exercise will take place in the second half of 2023.

Webinar on economic impact assessment of the Two-Pillar solution

On 18 January 2023, the OECD conducted a webinar on economic impact assessment of the Two-Pillar solution. It provided an update on its ongoing work to assess the economic impact of the Two-Pillar Solution to address the Tax Challenges arising from the digitalization of the economy, including new estimates of the revenue impacts of implementing Pillar One and Pillar Two.

These estimates are based on updated data and incorporate many recently agreed design features of Pillar One and Pillar Two, many of which have not been accounted for in other studies.

China

VAT exemption and reduction for small-scale Taxpayers in 2023

China's Ministry of Finance and State Administration of Taxation, and Ministry of Science and Technology have jointly issued Announcement No. 1 of 2023 on a VAT exemption and reduction policy for small-scale VAT taxpayers.

The policy includes:

- Small-scale VAT taxpayers with monthly sales of less than CNY 100,000 are exempted from VAT from 1 January 2023 to 31 December 2023 and
- VAT rate small-scale VAT taxpayers is reduced to 1% from 1 January 2023 to 31 December 2023.

Increased input deduction for service providers

From 1 January 2023 to 31 December 2023, the following "super credit" input VAT deduction policy shall apply:

- Taxpayers in the productive service industry are allowed to offset the tax payable by an additional 5% of the deductible input tax amount for the current period, and
- Taxpayers in the daily service industry are allowed to offset the tax payable by an additional 10% of the deductible input tax amount for the current period

India

Increases Windfall Tax on Domestic Oil Production

India's Central Board of Indirect Tax and Customs (CBITC) has issued Notification No. 01/2023-Central Excise on the Special Additional Excise Duty (windfall tax) on domestic production of crude oil (petroleum), which has been increased from INR 1,700 to INR 2,100 per tonne with effect from 3 January 2023.

The windfall tax on diesel has been increased from INR 3.5 per litre to INR 5.0 per litre with effect from 3 January 2023.

India unveils Budget for the year 2023-24

On 1st February 2023, India's Finance Minister Nirmala Sitharaman presented the Union Budget 2023-24 proposing to boost spending on creation of assets by 33% in the fiscal year starting April, to support economic growth.

The Minister said the seven key priorities of the Union Budget 2023 complement each other and act as the Saptarishi guiding us through Amrit Kaal

These priorities include: Inclusive development, Reaching the last mile, Infrastructure and investment, Unleashing the potential, Green growth, Youth power and Financial sector.

The key highlights of Budget 2023 are as under:

- No tax for income up to Rs. 3 Lakh/year.
- Income tax rebate limit increased from Rs 5 lakh to Rs 7 lakh under new tax regime
- Reduce highest surcharge rate to 25% from 37% in new tax regime
- New tax regime to become the default tax regime. However, citizens can opt for the old tax regime.
- Standard deduction increased from 50,000 to 52,500 for salaried class & pensioners
- Tax exemption on leave encashment on retirement of non-government salaried employees hiked to Rs 25 lakh from Rs 3 lakh.
- New limit for presumptive taxation scheme (44AD & ADA) increased from 2 Crores to 3 crores

> "On 1st February 2023, India's Finance Minister Nirmala Sitharaman presented the Union Budget."

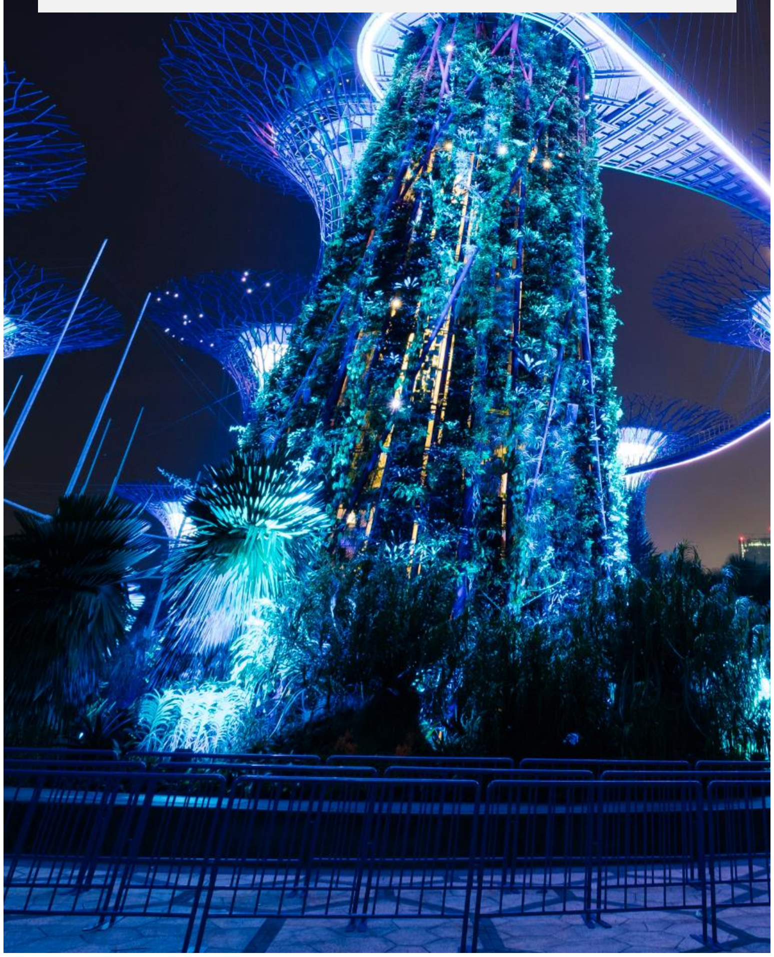
INDIA UNION BUDGET 2023

Singapore

Singapore updates indicative margins for related party loans based on risk-free rates

The Inland Revenue Authority of Singapore (IRAS) updated its Transfer Pricing guidance on 3 January 2023, including guidance on indicative margins for related party loans.

The update includes the indicative margin applicable to Risk-Free Rates (RFRs) as base reference rates for related party loans not exceeding SGD 15 million that are obtained or provided during the period 1 January 2023 to 31 December 2023, which is set at +230 bps (2.30%). For prior years, indicative margins are provided considering Interbank Offered Rates (IBORs) as base reference rates.



United Kingdom

UK Finance Act 2023 Published

The UK has published the Finance Act 2023, which received Royal assent on 10 January 2023.

The Act provides for the implementation of certain measures that were announced as part of the Autumn Statement 2022. The measures include:

- Energy Profits Levy is extended to help fund cost of living support and ensure oil and gas companies pay their fair share of tax
- Research and development (R&D) tax reliefs are reformed with effect from 1 April 2023
- The basic income tax rate limit (GBP 37,700) and the personal allowance (GBP 12,570) are extended an additional two years
- The higher income tax rate limit is reduced from GBP 150,000 to GBP 125,140
- The Dividend Allowance is reduced to GBP 1,000 for the tax year 2023-24 and to GBP 500 for the tax year 2024-25 and subsequent tax years
- The Capital Gains Tax (CGT) annual exempt amount is reduced to GBP 6,000 for the tax year 2023-24 and to GBP 3,000 for the tax year 2024-25 and subsequent tax years; and
- Vehicle Excise Duty (VED) for Electric Vehicles is introduced in relation to licenses taken out on or after 1 April 2025 (VED exemption removed).

New Regulations for Mandatory Disclosure Rules

The UK has published the International Tax Enforcement (Disclosable Arrangements) Regulations 2023, which will come into force on 28 March 2023. The new regulations provide for the introduction of new mandatory disclosure rules based on the OECD's Model Mandatory Disclosure Rules for CRS Avoidance Arrangements and Opaque Offshore Structures.

Under the new regulations, an intermediary is generally required to make a return of information if it either:

- makes a CRS avoidance arrangement or opaque offshore structure available for implementation, or
- provides relevant services in respect of a CRS avoidance arrangement or opaque offshore structure, through a branch or office located in the United Kingdom.

Such returns are to be made within 30 days beginning with the day after the day on which the intermediary makes the arrangement or structure available or provides the relevant service.

Our Services

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- Accounting Outsourcing
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- Fixed Asset Management
- Standard Operating Procedures.
- Inventory Verification

TAX:

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  - ✓ 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

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  - ✓ Free Zone
  - ✓ Offshore
- Local | Corporate Sponsorship
- Company Liquidation
- Offshore Registered Agent –JAFZA
- PRO Service

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