Tax Updates

'22 June

Tax updates

2022 June Edition

Message from the CEO

Dear Readers,

Right before the Eid Al Adha celebration begins, we bring to you monthly series on major Tax happenings in the GCC region.

Being the most attractive financial hub in the Middle East and North Africa (MENA) region, Dubai is always fast in decision making and there by growing. Dubai Securities and Exchange Higher Commission's approaches to enhance operating volumes and raise liquidity on the bourse. This has evolved a well-known Emirati supermarket chain, Union Coop to list its shares on Dubai Financial Market (DFM), from18 July 2022. The existing shareholders would be offered ten shares in the listing for each share held and the share price will be determined on the first day of trading.

The Organization of the Petroleum Exporting Countries [OPEC] stands firm to the proposed oil production upsurge and has decided to raise output by 648,000 barrels per day in both July and August, advancing towards the end of the historic output cuts which was applied during the pandemic. The Gasoline prices in the nation have jumped about 80% since the start of this year precisely for the fifth time. Abdulla Bin Touq Al Marri, the economy minister is ambitious and determined hoping the economy will grow by 5% to 6% this year as it recovers from the pandemic.

The UAE's aviation industry has soared to great heights with its aggressive pursuit for growth. Qatar is now ready for the FIFA world cup expected to receive a large influx of foreign tourists. According to Qatar’s official estimates, the country is expected to receive over 1.2 million visitors booming the aviation industry.

Even as the countries world over is facing an unprecedented inflation crisis, let us hope that these significant developments from UAE economy will be the light bearers of a beautiful future.

May the joy of Eid surround you and your family.
Eid Al Adha Mubarak in advance!

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United Arab Emirates

FTA issued clarification on gold making charges

The Federal Tax Authority (FTA) in UAE has recently issued a public clarification – VATP029 on Gold Making Charges confirming that the suppliers of the gold jewellery are required to pay VAT on the making charges. This clarification only applies to gold and products consisting mostly of gold, that do not qualify for zero-rating. These goods are collectively referred to as "Gold Items".

If the supplier charges separately for the Gold Items and for the making service, or where the price of these components are separately reflected, the supplier is regarded as making multiple supplies.

In instances of multiple supplies, only the VAT related to the Gold Items may be accounted for under the reverse charge mechanism. On the other hand, supply of making services does not fall under the special reverse charge mechanism and thus, the supplier is required to account for VAT on this service if the supplier is a taxable person.

Public Clarification on Missing or deficient Excise Goods released

The United Arab Emirates (UAE) Federal Tax Authority (FTA) has published an Excise Tax Public Clarification (EXTP007) on Excise goods that are deficient or missing and the process for the destruction of Excise goods within a Designated Zone (DZ).

As per the clarification, the FTA needs to be notified of the deficiency or shortage within 30 days of discovering the deficiency through a declaration along with supporting documents. An approval from competent authority is also required to be provided in case of destruction of goods that were expired and can be destroyed only on sanction from the FTA.

The scenarios of deficiency, procedure for filing the Declaration and the requirements of supporting documents have been detailed in the clarification. It has also been clarified that there is no ability under the Executive Regulation for businesses to secure relief on products which have been subject to excise tax previously but are then considered as 'wastage'.

FTA issued clarification regarding time limit for claiming refund of VAT by tourists

FTA in its Decision No. 4 of 2022 has decided that the operator of the Tax Refunds for Tourist Scheme shall set a one-year time limit for tourists to claim the refund of Value Added Tax through bank card or by cash, from the date of verification of the refund request.

Ministry of Economy released circular in connection with AML/CFT Compliance for Licensed Real estate brokers and agents

The UAE Ministry of Economy has on 24 June 2022 released Circular No. 05/2022 instructing all real estate brokers and agents to inter alia submit a 'Real Estate Transaction Report' ("REAR") via the Financial Intelligence Unit's ("FIU") goAML platform in following circumstances:

- Cash transaction equal to or exceeding AED 55,000
- Method of payment is virtual asset
- In case of funds used for transaction has been converted from a virtual asset.

In the circular it has also listed the documents required to be collected by real estate agents and other reports required to be submitted by real estate agents.

The submission of REAR would be effective from 01 July 2022.

EOCN held a workshop on counter-proliferation investigative methods in partnership with the US embassy

On June 6, 2022, the Executive Office for Control and Non-Proliferation (EOCN) held a workshop on counter-proliferation investigative methods, prepared in partnership with the United States of America, and represented by the US embassy in the UAE.

The seminar was attended by the U.S. Department of State's Bureau of International Security and Non-proliferation, and the U.S. Department of Homeland Security - Office of National Security Investigations (ONS) and is held as part of a series of workshops, rehabilitation programs, and training sessions in the area of export control.

In the workshop, a speech delivered by his Excellency Talal Al-Teneiji, Director of the Executive Office for Control and Non-Proliferation stated that:

"International cooperation is crucial in exchanging experiences to achieve export control, Therefore, relevant government institutions always seek to translate this through the opening and perpetuation of communication channels. This, indeed, reflects the UAE's keenness to strengthen cooperation with the international community to combat proliferation and financing of weapons of mass destruction, combat extremism and terrorism, and implement best practices and controls that all countries seek to enforce. The establishment and maintenance of such practices have become evident by the Security Council in resolution 1540 of 2004 as well as the Financial Action Task Force (FATF) in the fight against terrorist financing and

UAE Nationals to take on auditor jobs in private sector ahead of 2023's corporate tax rollout

Ghannam Al Mazrouei, Secretary-General of Emirati Talent Competitiveness Council, said that creating a base of skilled UAE Nationals who can provide services as external auditors when corporate tax becomes a reality from June 2023 is a priority.

“If we are to get UAE Nationals thinking of jobs outside of the public sector, we need to create opportunities where the needs are most,” said Al Mazrouei, as the UAE’s ‘Nafis’ programme to build up Emirati presence in the private sector picks up some serious speed. “With corporate tax going live next year, we want private sector employers to have access sufficient numbers of skilled Emiratis too for audit services.”

The Emirati Talent Competitiveness Council essentially fast-tracks the upskilling and placements of UAE Nationals wanting to make that transition from a government job to one in the private. That is the core of what the Nafis programme – launched in September 2021 – wants to achieve. Specific targets have been set for the offtake of Emirati graduates in various sectors, as well as attracting those who are thinking of a career move.

“UAE Nationals with the required certifications such as the CPA can make careers given the scale of demand for tax auditors,” said Al Mazrouei. “The Council doesn’t identity candidates from the public sector and try to get them into private sector roles. Our role is to help those who decide to make that move. We encourage employers to utilise and register on the Nafis platform to connect with qualified nationals and fill the vacancies they have.”

Chilean Senate Approves Tax Treaties with United Arab Emirates, alongwith India and the Netherlands

On 8 June 2022, the Chilean Senate (upper house of Congress) approved the laws for the ratification of the pending tax treaties with the United Arab Emirates along with India and the Netherlands. The laws were approved by the Chamber of Deputies (lower house) on 3 March 2022.

The income tax treaty between Chile and the United Arab Emirates was signed on 31 December 2019. The treaty will enter into force once the ratification instruments are exchanged and will generally apply from 1 January of the year following its entry into force.

The income tax treaty between Chile and India was signed on 9 March 2020. The treaty will enter into force once the ratification instruments are exchanged and will apply in Chile from 1 January of the year following its entry into force and in India from 1 April next following its entry into force.

UAE Ministry of Finance announces new reporting portal for FATCA and CRS and extends the reporting deadline

On 17 May 2022, the UAE Ministry of Finance announced the go-live of the new Foreign Account Tax Compliance Act (**FATCA**) and Common Reporting System (**CRS**) reporting portal.

All UAE Reporting Financial Institutions (“**RFIs**”) are required to register on the portal, which can be accessed through this link: https://fatcacrs.mof.gov.ae/

The reporting deadline for calendar year 2021 set at 30 June 2022 has been extended to 20 July 2022 as per the information on the portal.

In this regard, it is to be noted that all UAE RFIs must register on this new system, even if they had already been registered for reporting in previous FATCA and/or CRS reporting portals in the UAE.

For any technical queries regarding the portal, the UAE Ministry of Finance has instructed users to contact the technical support team via email: servicedesk@atc.co.ae.

Kingdom of Bahrain

Updates to the National Bureau of Revenue portal

The National Bureau of Revenue ('NBR') portal has been updated to allow applicants for VAT registration to have the option of choosing 'register for VAT' or 'register for VAT exception' when applying for VAT registration.

In the case of a company that supplies only zero-rated goods and services but does not receive any goods or services for which it is liable to account for standard rated VAT under the reverse charge mechanism, a request for an exemption from registering for VAT may be made to the NBR if the amount of zero-rated supplies exceeds the requirement for registration.

Companies that apply for an exemption from VAT registration and if approved by the NBR are not considered as a taxable person. As a result, he will be unable to charge VAT on his supplies and will not be able to recover the VAT incurred on business expenses, i.e. he will be considered as an end-customer.

BEPS MLI in force for Kingdom of Bahrain and Romania

The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) entered into force for Kingdom of Bahrain and Romania on 1 June 2022.

With respect to the covered agreements (tax treaties) between Bahrain and the other countries for which the MLI has already entered into force, the MLI is generally effective from 1 January 2023 in respect of withholding taxes and for taxable periods beginning on or after 1 December 2022 in respect of other taxes (six months after entry into force).

With respect to the covered agreements (tax treaties) between Romania and other countries for which the MLI has already entered into force, Romania took the reservation that the MLI will not be effective until additional internal procedures have been completed for each covered agreement and notification on the completion of the procedures is deposited. As per the information, such notification has not yet been deposited

Kingdom of Saudi Arabia

ZATCA publishes the English version of the tax amnesty guideline

The Kingdom of Saudi Arabia Zakat, Tax, and Customs Authority (ZATCA) has published the English version of its guideline on the amnesty for tax penalties announced earlier this month. The guideline was previously published in Arabic.

All taxpayers will be entitled to amnesty for the six months from 1 June 2022 to 30 November 2022.The taxes covered under the amnesty are VAT, Withholding tax, Excise, Income tax, and Real Estate Transaction Tax (RETT). Customs duties are not covered within the scope of the

Increase in Customs duty rates across the Kingdom of Saudi Arabia

The Kingdom of Saudi Arabia's (KSA) Minister of Finance has issued the Ministerial Decree No. 59334 dated 10/11/1443 AH (corresponding to 9 June 2022), increasing the customs duty rates for 99 products, primarily focusing on foodstuffs, beverages, industrial and agricultural products. As reported in the ministerial ordinance, this is aimed at promoting and protecting local industries and agricultural products.

The newly raised rates range from 5.5% to 25% and came into effect on 12 June 2022.

Input VAT refund for Eligible Persons Filing Deadline 30 June 2022

In accordance with the provisions of Articles 70 and 72 of the Implementing Regulations, Eligible persons not carrying out economic activities in the Kingdom of Saudi Arabia ('KSA') and who have incurred VAT during the calendar year 2021, are allowed to apply for a VAT refund by 30 June 2022.

A non-resident person not carrying out any economic activity in KSA, may apply to be considered as an 'eligible person' in order to file an application to refund input VAT incurred in KSA, provided certain conditions are met.

The State of Qatar

Tax Treaty between Egypt and the State of Qatar to be Negotiated

According to a release published by Egypt's State Information Service, Minister of Finance Mohamed Maait and his Qatari counterpart Ali bin Ahmed Al Kuwari signed a memorandum of understanding on 21 June 2022 that paves the way for the negotiation and conclusion of an income tax treaty.

The MoU paves the way for strengthening cooperation between Egypt and Qatar to sustain consultation on financial policies and mechanisms for reaching an agreement on preventing double taxation between the two sides with a view to stimulating joint investments.

Any resulting Treaty would be the first of its kind between the two countries and must be finalized, signed, and ratified before entering

Tax Treaty between the Czech Republic and Qatar Signed

The Czech Ministry of Finance has announced the signing of an income tax treaty with Qatar on 21 June 2022.

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

Protocol to Tax Treaty between Guernsey and Qatar Signed

On 21 June 2022, officials from Guernsey and Qatar signed an amending protocol to the 2013 income tax treaty between the two jurisdictions.

The protocol is the first to amend the treaty and includes changes to implement the minimum BEPS standards.

General Tax Authority clarifies master file and local file submission deadline

The chairman of Qatar's General Tax Authority (GTA) on 8 June 2022 issued Decision No. 10 of 2022 that amends certain provisions in Decision No. 4 of 2020 to clarify that the deadline for filing the transfer pricing master file and local file is 60 days after the due date for filing the corporate tax return.

As per the amended provisions, A delay in the submission of the master or local file via the online Dhareeba portal will lead to specific transfer pricing penalties of QAR 500 per day up to a maximum of QAR 180,000.

The amendment also reaffirms that the requirement to submit the master and local file applies to tax years beginning on or after 1 January 2020.

Taxpayers with 2021 corporate tax returns due on before 30 April 2022 would now be required to submit the master and local files by 30 June 2022, irrespective of the actual date of submission of the return.

Sultanate of Oman

Sultanate of Oman and Tanzania Conclude Tax Treaty Negotiations

According to a joint statement published by the Oman Ministry of Foreign Affairs on 14 June 2022, officials from Oman and Tanzania have concluded negotiations with the initialing of an income tax treaty.

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

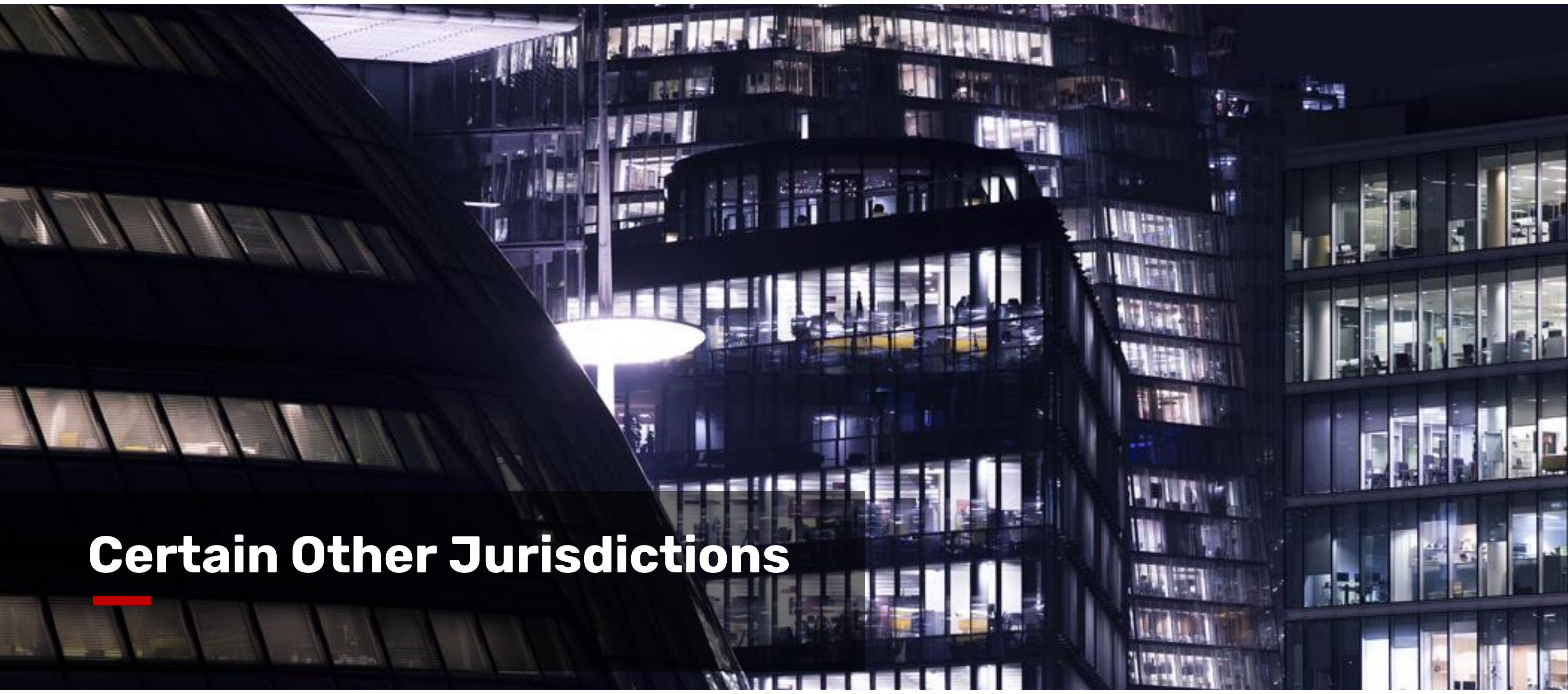
VAT Taxpayer Guide on Exports and Imports

The Oman Tax Authority issued a new Taxpayer's guide (the Guide) in June 2022 on the application of VAT on exports and imports.

The Guide clarifies the provisions related to exports and imports prescribed under the Oman VAT law and the Executive Regulations. The Guide also addresses certain procedural aspects that may ease doing business in Oman.

Some of the key clarifications and procedural aspects discussed in the Guide are regarding:

- Amendment of the customs declaration (Bayan)
- Applicability of VAT on sale of goods in the course of import/export
- Supply of goods in departure areas at airports and ports
- Determination of the actual customer in case of export of services
- Exports to and imports from the GCC member states.



Certain Other Jurisdictions

OECD

OECD Releases New Transfer Pricing Country Profiles for Egypt, Liberia, Saudi Arabia, and Sri Lanka

The OECD has announced the release of new transfer pricing profiles for Egypt, Liberia, Saudi Arabia, and Sri Lanka in June 2022, bringing the total number of countries covered to 73.

The profiles contain up-to-date and harmonized information on key aspects of transfer pricing legislation and practice.

This includes information regarding the arm's length principle, transfer pricing methods, comparability analysis, intangible property, intra-group services, cost contribution agreements, transfer pricing documentation, administrative approaches to avoiding and resolving disputes, safe harbors, and other implementation measures.

The information contained in the profiles is intended to clearly reflect the current state of a country's legislation and to indicate to what extent their rules follow the OECD Transfer Pricing Guidelines.

India

India Issue Guidelines for Withholding Tax on Virtual Digital Assets

India's Central Board of Direct Taxes has issued Circular No. 13 of 2022, providing guidelines on the application of tax deducted at source (TDS) on the transfer of virtual digital assets (VDAs).

The obligation to deduct tax at a rate of 1% was introduced as part of the Finance Act 2022 with effect from 1 July 2022, provided that the consideration for the transfer exceeds a monetary threshold of:

- Aggregate annual consideration of INR 50,000 if paid by a specified person, which generally means an individual or a Hindu undivided family whose business income does not exceed INR 10 million (1 crore) or whose professional income does not exceed INR 5 million (50 lakh); and
- Aggregate annual consideration of INR 10,000 if paid by a person other than a specified person.

The guidelines are presented in a Q&A format, including questions on who is required to deduct tax where the transfer takes on or through an exchange and where consideration for a transfer is in kind or in exchange of another VDA.

The guidelines also clarify the application of the monetary threshold considering that the TDS requirement is effective from 1 July 2022, while the threshold is based on the financial year, which started on 1 April 2022.

In this regard, it is clarified that in determining whether the aggregate considering threshold for TDS has been met, the value of consideration will be counted from 1 April 2022. It is further clarified that if the threshold is met, TDS will apply on any sum, representing consideration for the transfer of a VDA, credited or paid on or after 1 July 2022. Any sum credited or paid for the transfer of a VDA prior to 1 July

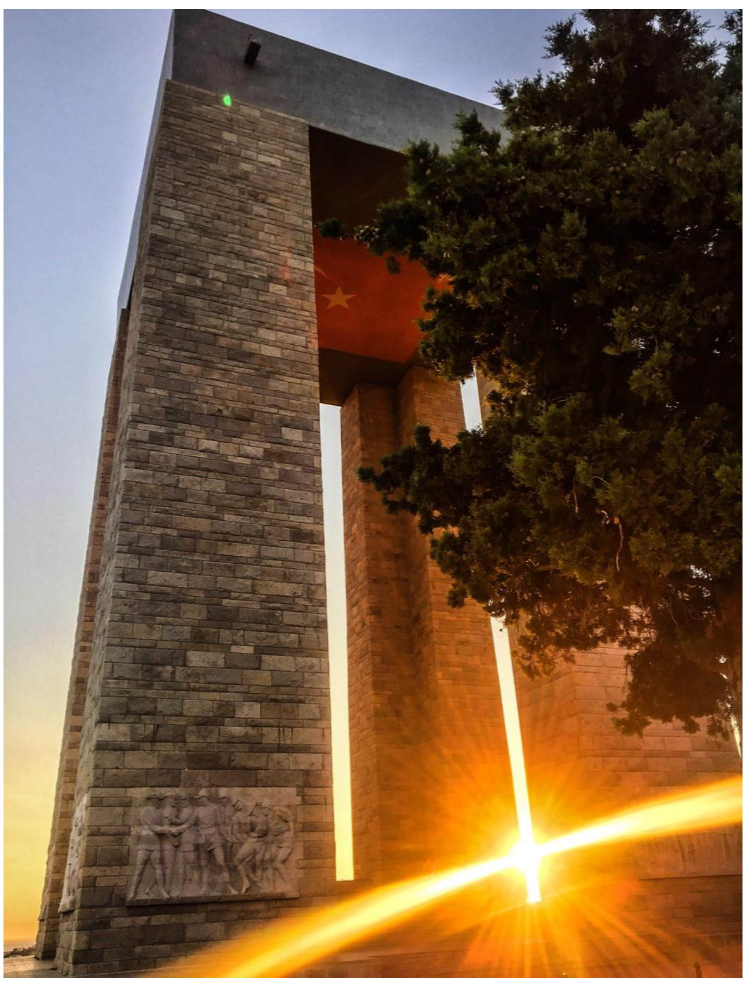
Turkey

Turkey Introducing Tax Incentives for Istanbul Financial Center

The Turkish government has submitted a draft law to introduce new tax incentives for financial institutions operating in the Istanbul Financial Center (IFC).

The main incentive is a 75% reduction in taxable profits for certified financial institutions in the IFC, which is initially increased to 100% during the 2022 to 2031 accounting periods.

Further incentives include an exemption from banking and insurance tax and stamp duty on financial transactions and services performed by certified financial institutions, as well as an exemption from financial activity fees for a period of 5 years. Incentives are also provided for employees of certified financial institutions in the IFC that previously worked abroad. This includes a 60% reduction in taxable employment income where an employee has at least 5 years of professional work experience abroad, increased to 80% if at least 10 years of professional work experience abroad.



United Kingdom

New Tax Treaty between Luxembourg and the UK

The new income and capital tax treaty between Luxembourg and the UK was signed on 7 June 2022.

Once in force and effective, the new treaty will replace the 1967 tax treaty between the two
The proposed withholding tax rates are as under:

- Dividends - 0% in general, although a 15% rate applies for dividends paid out of income (including gains) derived directly or indirectly from immovable property by an investment vehicle that distributes most of its income annually and whose income from such immovable property is exempted from tax, unless the beneficial owner of the dividends is a recognized pension fund
- Interest - 0%
- Royalties - 0%

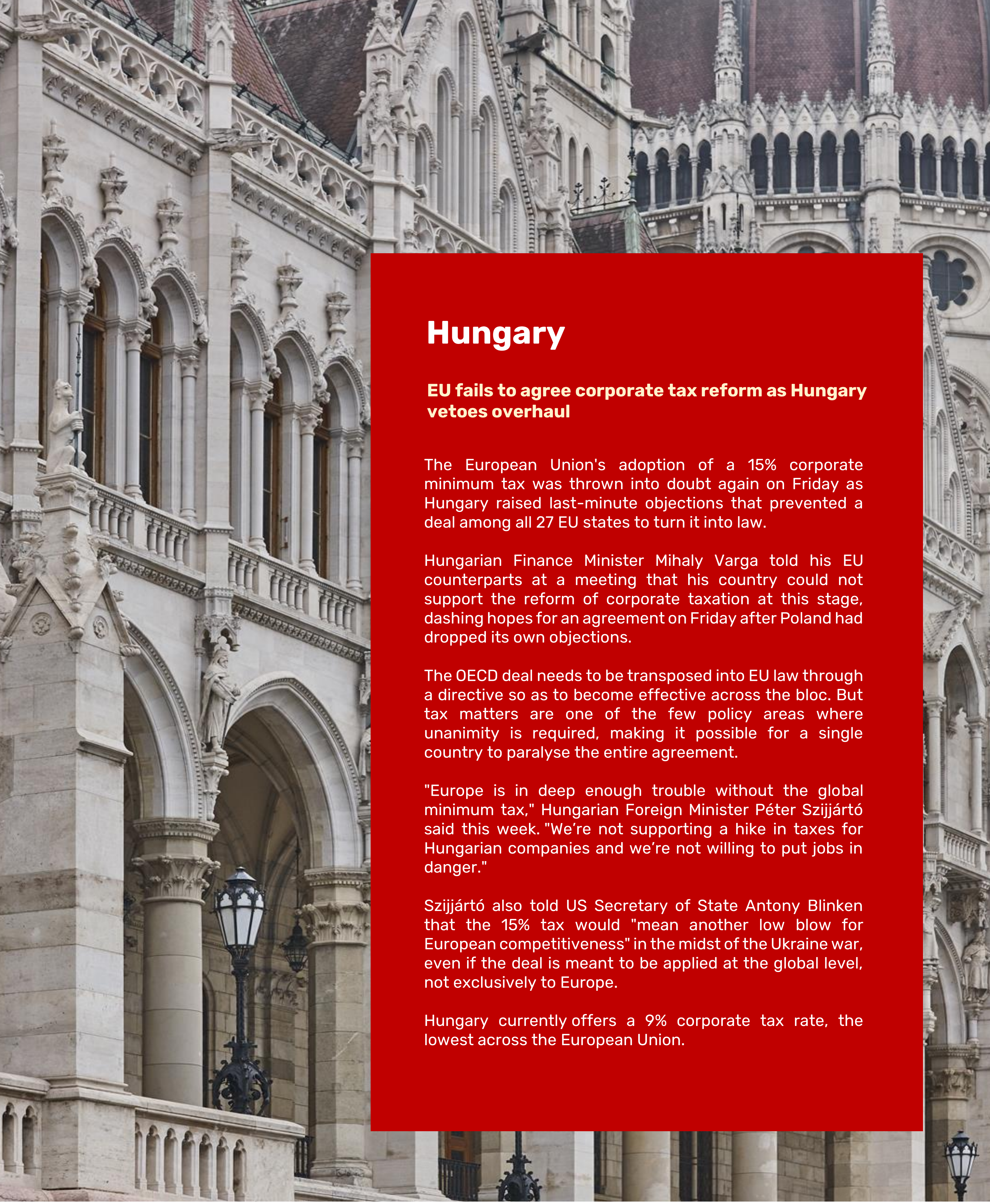
The treaty will enter into force once the ratification instruments are exchanged and will apply in

- Luxembourg from 1 January of the year following its entry into force, and

- the UK from 1 January of the year following its entry into force in respect of withholding taxes, from 1 April next following its entry into force in respect of corporation tax, and from 6 April next following its entry into force in respect of income tax and capital gains tax.

However, the provisions of Article 24 (Mutual agreement procedure) and Article 25 (Exchange of information) will apply from the date of the treaty's entry into force, without regard to the taxable period to which the matter relates.

The 1967 tax treaty between the two countries will cease to have effect from the dates the new treaty is effective and will terminate on the last date.



Hungary

EU fails to agree corporate tax reform as Hungary vetoes overhaul

The European Union's adoption of a 15% corporate minimum tax was thrown into doubt again on Friday as Hungary raised last-minute objections that prevented a deal among all 27 EU states to turn it into law.

Hungarian Finance Minister Mihaly Varga told his EU counterparts at a meeting that his country could not support the reform of corporate taxation at this stage, dashing hopes for an agreement on Friday after Poland had dropped its own objections.

The OECD deal needs to be transposed into EU law through a directive so as to become effective across the bloc. But tax matters are one of the few policy areas where unanimity is required, making it possible for a single country to paralyse the entire agreement.

"Europe is in deep enough trouble without the global minimum tax," Hungarian Foreign Minister Péter Szijjártó said this week. "We're not supporting a hike in taxes for Hungarian companies and we're not willing to put jobs in danger."

Szijjártó also told US Secretary of State Antony Blinken that the 15% tax would "mean another low blow for European competitiveness" in the midst of the Ukraine war, even if the deal is meant to be applied at the global level, not exclusively to Europe.

Hungary currently offers a 9% corporate tax rate, the lowest across the European Union.

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- 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
  - ✓ 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
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