



Tax ^{'23} June Updates

Tax updates

2023 June Edition

Hello Readers,

“Develop a passion for learning. If you do, you will never cease to grow.”

I hope this message finds you well and refreshed after the Eid break.

As we are all aware, tax regulations and laws are constantly evolving, and it is crucial for us to stay informed and compliant. This June, we have seen some significant changes in the tax landscape that require our attention which you will be reading here.

I want to emphasize the importance of staying up to date with the latest tax laws and regulations. Our Tax Team has been diligently keeping themselves abreast of these changes, and I encourage each of you to reach out to us if you have any questions or concerns. We are here to support and guide you through these updates.

Our commitment to compliance and integrity extends beyond just meeting our tax obligations. Our responsible and ethical actions directly contribute to the overall prosperity and long-term viability of businesses.

Thank you for your attention to these tax updates. Let's work together to ensure we are fully informed and compliant, thereby safeguarding our business interests and maintaining our reputation as responsible businesses.

Wishing you all continued success and a productive month ahead.

CA. Manu Palerichal
CEO & Partner



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United Arab Emirates

UAE Tax Authority releases conditions for availing tax exemption for Free Zone Entities

The UAE Ministry of Finance has published Cabinet Decision No. 55 of 2023 on determining qualifying income of a qualifying free zone person and Ministerial Decision No. 139 of 2023 on Qualifying Activities and Excluded Activities.

Qualifying free zone persons are eligible for a 0% corporate tax rate on qualifying income. Cabinet Decision No. 55 provides qualifying income includes the following categories of income:

- Income derived from transactions with other free zone persons, except for income derived from excluded activities;
- Income derived from transactions with a non-free zone person, but only in respect of qualifying activities that are not excluded activities; and
- Any other income provided that the qualifying free zone person satisfies the de minimis requirements.

Tax Treaty between Russia and the UAE under negotiation

On June 12, 2023, the UAE, represented by the Ministry of Finance, held the second round of negotiations on the double taxation agreement on income and capital between the UAE and the Russian Federation.

His Excellency Younis Haji Al Khoori emphasised the importance of these dialogues in promoting bilateral relations between the UAE and the Russian Federation, especially in the financial, trade and investment sectors. His Excellency said: “The negotiations on the double taxation agreement are of paramount importance, as we aim to eliminate the barriers that hinder economic cooperation between Russia and the UAE.”

Research hubs merge to create new technology, research and innovation powerhouse

The Sharjah Research Technology and Innovation Park (SRTIP) and the Sharjah Oasis for Technology and Innovation (SOTI) have merged to create a new research, technology, and innovation powerhouse – **the Sharjah Research, Technology and Innovation Park Free Zone Authority**





UAE issues more Decisions in June 2023 to clarify / explain various provisions of Corporate Tax Law:

Ministerial Decision No. 125 of 2023	Tax Group
Ministerial Decision No. 126 of 2023	General Interest Deduction Limitation Rule
Ministerial Decision No. 127 of 2023	Unincorporated Partnership, Foreign Partnership and Family Foundation
Ministerial Decision No. 132 and 133 of 2023	Transfers within a Qualifying group and Business Restructuring Relief
Ministerial Decision No. 134 of 2023	General Rules for Determining Taxable Income
Cabinet Decision No. 56 of 2023	Determination of a non-resident person's nexus in the UAE

UAE Cabinet announced the setting up of Investment Ministry and approved National energy strategy, Hydrogen strategy and establishment of Financial stability council

The UAE Cabinet announced the establishment of the Ministry of Investment under the directives of the President, His Highness Sheikh Mohamed bin Zayed Al Nahyan, to support the country's business objectives, investment policies and promote its world-class infrastructure to further attract investments in various sectors.

The Cabinet also approved the updated National Energy Strategy 2050 to triple the contribution of renewable energy by 2030 to reduce the impact of climate change and achieve climate neutrality. It also approved the establishment of the Financial Stability Council to enhance financial stability, monitor risks and deal with any financial crises in order to maintain the development of the national economy.

Input Tax Apportionment Guide-VATGIT1

The Federal Tax Authority published a guide to provide guidance on input tax apportionment and the special input tax apportionment methods. This guide is essential for any registrant involved in a combination of taxable and exempt supplies.

The Guide provides:

- an overview of the general input tax apportionment rules and the available special methods of input tax apportionment,
- an overview of the process to apply for a special method of input tax apportionment; and
- the information needed to complete the form to apply for a special apportionment method.

This guide replaces the Input Tax Apportionment: Special Methods VAT Guide (VATGIT1) previously published in December 2019 and March 2023.

Private Clarifications- Tax Procedures TPGPC1

Taxpayers can seek guidance from the FTA on specific queries on the application of federal tax laws through the Private Clarification mechanism. Additionally, it highlights important information regarding the fees associated with private clarifications.

From 1 June 2023, fees are payable in respect of private clarifications. If the private clarification relates to only one tax, the fee is AED 1,500 per application. If the private clarification relates to more than one tax, the fee is AED 2,250 per application if the clarification relates to more than one tax, provided that the questions are related to the same transaction and parties..

VAT Administrative Exceptions- VATGEX1

VAT Administrative Exceptions serve as valuable concessions and exceptions provided to registrants under the Federal Decree-Law No. 8 of 2017 on Value Added Tax and its amendments ("Decree-Law") or Cabinet Decision No. 52 of 2017 on the Executive Regulation of the Federal Decree-Law No. 8 of 2017 on Value Added Tax and its amendments ("Executive Regulation").

This guide aims to provide clarity on the procedure, eligibility, timeframe, and VAT topics covered when submitting a VAT Administrative Exception request. Additionally, it emphasizes the importance of using the correct channels for submitting these requests.



Kingdom of Bahrain

Final phase of digital stamps scheme for tobacco 'molasses' products implementation

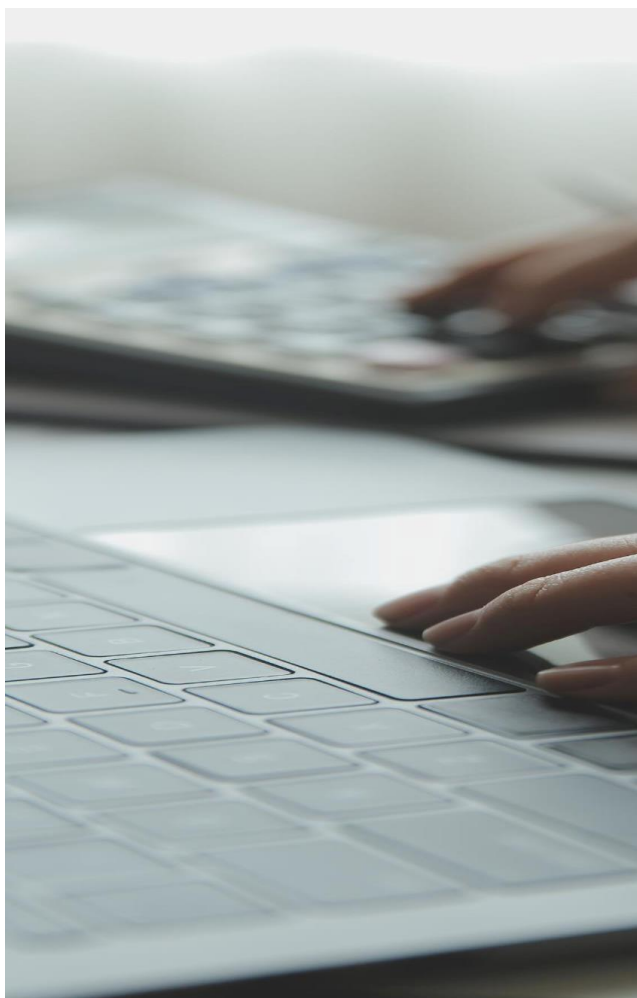
The National Bureau for Revenue (NBR) has announced that starting from June 18th, 2023, the final phase of the Digital Stamps Scheme for tobacco "molasses" products will be implemented.

All tobacco "molasses" products available for possession, trade, supply, or sale in local markets must have valid and activated digital stamps as part of their product packaging, according to the NBR.

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Sultanate of Oman

VAT taxpayer guide for Input Tax

The Oman Tax Authority has published VAT Guide for Input Tax. The guide provides clarifications/ guidance on key matters relating to input tax credit.

The Oman VAT Guide for Input Tax provides guidance on the Steps to deduct input tax, Ineligible input tax claim, Conditions for input tax deduction, Taxable person's economic activity, Intention of the taxable person, Time of deduction, Evidence required to deduct input tax, Recipient of a supply, Input tax incurred by employees, Input tax incurred by a non-registered person, Mixed use for economic and non-economic activities, Blocked input tax, Mixed use for taxable and exempt supplies, Alternative apportionment methods, Adjustment of input tax, Loss, theft or damage and Input tax related to capital assets.

Tax exemptions for electric and hydrogen-powered vehicles

On 1 June 2023, Oman Tax Authority announced VAT and customs exemptions for electric and hydrogen-powered vehicles. This move aims to encourage the adoption of eco-friendly vehicles and support sustainable transportation in the country.

To qualify for exemption following conditions to be satisfied:

- The vehicle must be equipped with a fully electric motor or a hydrogen-powered engine.
- Must be registered in Oman as an electric car or a zero-emission vehicle
- The EV must also meet the approved specifications and standards in Oman.
- Purchase of EVs and their spare parts must be made from individuals or entities holding a registered VAT account in Oman.

Oman and Russia sign new Tax Treaty

On June 8 2023, the Agreement for the Avoidance of Double Taxation and the Prevention of Tax Evasion on income between Russia and Oman was signed in Muscat. The new treaty is in line with BEPS standards and provides the following withholding tax rates:

- Dividends - 15% and a reduced rate of 10% if the beneficial owner is a company that own at least 20% of the shares in the capital of the paying company's share.
- Interest - 10%
- Royalties - 10%

Oman ratifies new Tax Treaty with Egypt

On 25 June 2023, the Sultanate of Oman issued the royal decree for the ratification of the new income tax treaty with Egypt, which was signed on 22 May 2023.

The new tax treaty will enter into force after the ratification instruments are exchanged.



Kingdom of Saudi Arabia

Saudi Arabia Minister of Finance announces permanent VAT exemptions

Minister of Finance Mohammed Al-Jadaan announced that Saudi Arabia will provide a permanent value-added tax (VAT) exemption on transactions between entities within special economic zones (SEZs) or between various special economic zones. There will also be a tax discount for a period of 20 years within SEZs

Determines criteria for sixth wave of the integration phase for the country's new e-invoicing requirements

On 16 June 2023, the Saudi Zakat, Tax, and Customs Authority (ZATCA) [announced](#) that it has determined the criteria for the sixth wave for implementing the "Integration Phase" of E-invoicing.

It clarified that the sixth wave will include all taxpayers whose revenues subject to VAT exceeded 70 Million Saudi Riyals during 2021 or 2022 should integrate their e-invoicing solutions with (FATOORA) Platform starting from January 1, 2024.

Eligible used goods and the profit margin method

In January 2023, ZATCA published a proposed criteria for 'used cars' to be classified as 'eligible goods' for the purposes of applying Profit Margin Method in accordance with the provisions of Article 48 of the KSA VAT Implementing Regulations.

Through the recent announcement, ZATCA introduced following additional requirements related to invoices that the taxpayers will be required to include while making a supply of eligible goods.

- The title of the invoice should refer to Profit Margin
- The chassis number of the car should be included
- Indicate that the consideration is inclusive of VAT and imposed on the Profit Margin

State of Qatar

Tax Treaty between Qatar and Uzbekistan signed

On 6 June 2023, officials from Qatar and Uzbekistan 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.

Ukraine ratifies pending protocol to Tax Treaty with Qatar

Ukraine has published Law No. 3030-IX, which enters into force on 6 June 2023 and provides for the ratification of the pending protocol to the 2018 income tax treaty with Qatar.

This law pertains to the ratification of the pending protocol associated with the 2018 income tax treaty between Ukraine and Qatar. The protocol, which was signed on September 2, 2021, marks the first amendment to the treaty. It introduces various changes to the preamble and Articles 25 (Mutual Agreement Procedure) and 26 (Exchange of Information). Additionally, it introduces a new Article 28 (Entitlement to Benefits). The protocol will enter into force once the ratification instruments are exchanged and will apply from 1 January of the year following its entry into force.

Certain Other Jurisdictions

OECD

Global forum launches new guidance on implementing secure systems for the automatic exchange of information

The OECD has announced the launch of new guidance by the Global Forum on the implementation of secure systems for the automatic exchange of information. The guidance was launched in French on 7 June 2023 and in English on 8 June 2023.

The guidance helps jurisdictions interested in automatic exchange of information, such as the Common Reporting Standard on financial accounts or Country-by-Country Reporting, design and implement a secure perimeter for their operations with automatically exchanged data. The new guidance is part of the Global Forum Secretariat's Strategy to unleash the potential of AEOI for developing countries.

OECD launches updated BEPS MLI matching database to further support international tax cooperation

On 29 June 2023, a new and improved version of the database supporting the application of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the "BEPS MLI") has been released and will allow tax authorities and other interested parties to make projections on how the MLI modifies a specific tax treaty.

One of the key updates is the inclusion of historical data, which allows users to view the application of the BEPS MLI at specific points in time. The upgrade also offers a more intuitive interface that makes it easier for users to search for and access information.

China

New tax exemption and reduction for new energy vehicles

China's Ministry of Finance, State Administration of Taxation, and Ministry of Industry and Information Technology have jointly issued Announcement No. 10 of 2023 on a vehicle purchase tax exemption for new energy passenger vehicles.

This includes that new energy vehicles purchased from 1 January 2024 to 31 December 2025 are exempted from vehicle purchase tax, subject to a tax exemption cap of CNY 30,000 per vehicle. For new energy vehicles purchased from 1 January 2026 to 31 December 2027, a 50% tax reduction is provided, subject to a tax reduction cap of CNY 15,000 per vehicle.



India

Tax Collection at Source on foreign remittance

The Finance ministry has issued a new circular and FAQs regarding changes relating to Tax Collection at Source (TCS) on Liberalised Remittance Scheme (LRS) and on the purchase of overseas trip deals.

Under this, it stated the remittance for education and medical treatment will cover associated expenditures connected to it such as on international travel, local transport, food and accommodation. Remittances up to Rs 7 lakh under the scheme will also not face TCS. The Rs 7 lakh cap will be applicable for the whole financial year.

The government had postponed the implementation of higher TCS rate of 20 per cent on expenditures made under LRS and overseas trips till September 30. The new rates will come into effect from October 1.

India Notifies "Angel Tax" exemptions for certain non-resident persons and start-ups

The Central Board of Direct Taxes in India has issued Notification No. 29/2023 and Notification No. 30/2023 on 24th May 2023.

These notifications introduce exemptions to the "angel tax" for certain non-resident individuals and start-ups in accordance with Section 56(2)(viib) of the Income-tax Act, 1961. Section 56(2)(viib) states that if the consideration received for the issue of shares exceeds their fair market value, it is subject to income tax under the category "Income from other sources".

Under Notification No. 29/2023, the following entities are exempt from the "angel tax":

1. Government and Government-related investors
2. Banks or entities involved in the insurance business
3. Specific entities that are residents of countries or specified territories listed in the Notification Annexure

India expects EU carbon tax to hit exports of steel, iron ore and cement

As reported by Reuters - Already facing subdued demand from developed nations, India's exports are likely to be hit by the European Union's 20% to 35% tariffs on high-carbon goods like steel, iron ore and cement, the finance ministry said in a report released on Thursday.

In April, the EU approved the world's first plan to impose a levy on high-carbon goods imports from 2026, aiming to become a net zero emitter of greenhouse gases by 2050, some 20 years earlier than India's target.

Reporting of carbon content in exports to the EU would be required beginning Oct. 1, 2023, and the main goods affected would be steel, cement, aluminium, fertilisers, electricity and hydrogen.

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In April, the EU approved the world's first plan to impose a levy on high-carbon goods imports from 2026

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Germany

German Ministry of Finance issues updated administrative principles regarding Transfer Pricing

On 6 June 2023, the German Ministry of Finance released revised Administrative Principles on Transfer Pricing, providing further clarification on the transfer pricing regulations. The updated guidance aims to bring the administrative guidelines in line with the current legislative framework for transfer pricing in the country.

These updated administrative principles on Transfer Pricing replace the previous version that was published on 30 September 2021. The purpose of the revision is to ensure coherence between the administrative guidance and the existing Transfer Pricing laws.

Canada

Launch of a series of consultations on Key Budget 2023

Canada's Department of Finance has announced the launch of a series of consultations on key budget 2023 measures to grow the clean economy, create new opportunities for workers, strengthen the government's ability to fight money laundering and terrorist financing, modernize multinational business taxation to ensure tax fairness for Canadians and Canadian businesses and consolidate Canada Mortgage Bonds into the Government of Canada's regular borrowing program, in order to redirect savings to affordable housing programs.

Canadians are invited to share their views and feedback on the proposed measures as the government works towards implementation of these previously announced priorities.

Our

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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

ECAG

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- Emirates CA Consultancy WLL
- ECAG LTD
- MECA & Associates



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