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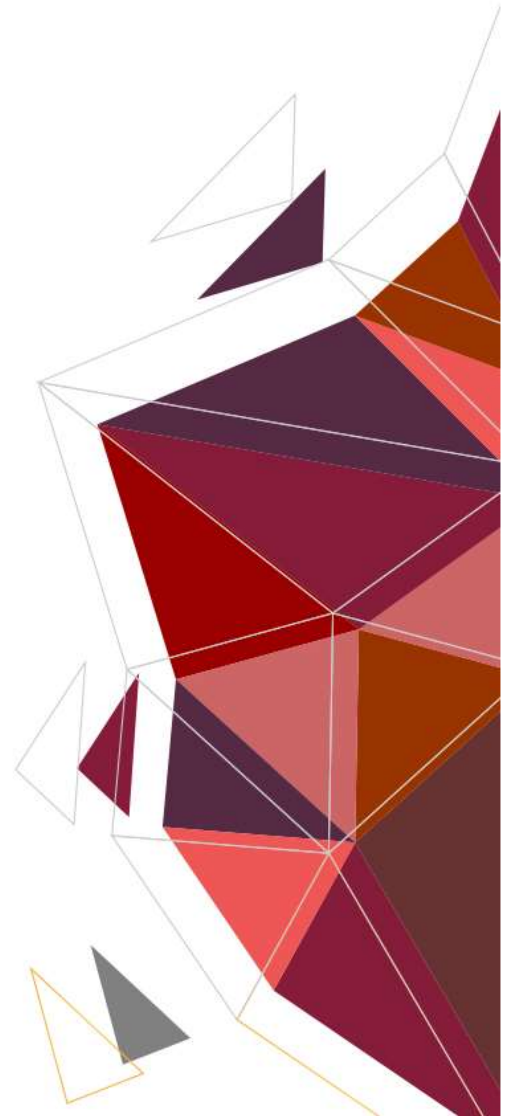
Tax Updates

March 21'



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Tax Updates

United Arab Emirates

Supplies provided by artists and social media influencers for consideration are subject to Value Added Tax (VAT)

The Federal Tax Authority (FTA) has clarified in a bulletin that services provided by artists and social media influencers (SMIs) for consideration are subject to Value Added Tax.

The bulletin outlines that VAT applies to such services provided by artists and social media influencers that include, but are not limited to, any online promotional activities performed on behalf of other businesses for a consideration, such as promoting a product in a blog or a video or otherwise promoting a business on a social media post, any physical appearances; marketing and advertising related activities; providing access to any social media influencers' networks on social media, and any other services that the SMIs may provide for a consideration.

This announcement was shared in the latest **Basic Tax Information Bulletin** issued by the FTA on the VAT applicability on supplies provided by artists and social media influencers. The announcement also clarified that if an artist or influencer incurs any expenditure while providing a supply and subsequently recovers that cost from its client, such reimbursement falls within the scope of VAT in the UAE.

UAE-based artists and social media influencers who make taxable supplies will be required to register for VAT, in case the value of their taxable supplies and imports in the last 12 months exceeded, or is expected to exceed in the next 30 days, the mandatory registration threshold of Dh375,000. They can also voluntarily register for VAT if the value of their taxable supplies and imports or taxable expenses incurred in the last 12 months exceeded, or is anticipated to exceed in the next 30 days, the voluntary registration threshold of Dh187,500. They shall be eligible for the recovery of any input VAT, with the exception of blocked items.

FTA Released public clarification on adjustment on Account of Bad Debt Relief

Federal Tax Authority of UAE has issued a VAT public clarification (VATP024) on Adjustment on Account of Bad Debt Relief. The clarification discusses the conditions to be met by a VAT registered supplier for availing benefit of bad debt relief scheme. In order to avail the benefit, the following four conditions must be satisfied:

- VAT shall be charged and accounted for by the supplier on the supply made,
- Consideration shall be written off from the books of accounts,
- Debt must have remained unpaid for more the six months from the date of supply,
- Supplier should have notified the customer of the amount of consideration that has been written off.

March 31, 2021 - Deadline for registration as per Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) guidelines

The UAE Ministry of Economy extended the grace period for the businesses to be in compliance with the Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) guidelines till **31 March 2021** for following four selected categories of business:

- Auditors and accountants;
- Company and trust service providers;
- Dealers in precious metals and stones;
- Real estate agents and brokers

Brazilian Senate Approves Pending Tax Treaty with the United Arab Emirates

On 24 February 2021, Brazil's Senate (upper chamber of the National Congress) approved the ratification of the pending Income tax treaty with the United Arab Emirates. The Treaty was signed on 12 November 2018.

The treaty is first of its kind between both countries and will enter into force once the ratification instruments are exchanged and will generally apply from 1 January of the year following their entry into force.

Kingdom of Bahrain

Kingdom of Bahrain Introduces CbC Reporting Requirements

Following Kingdom of Bahrain's approval of the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports (CbC MCAA) in January 2021, Kingdom of Bahrain's Ministry of Industry, Commerce, and Tourism has issued Resolution No. 28 of 3 February 2021, which provides for the introduction of Country-by-Country (CbC) reporting requirements, which entered into force on 5 February 2021.

The resolution is relatively brief and includes the following key points:

- The requirements apply for reporting fiscal years beginning on or after 1 January 2021 for MNE group's meeting a BHD 342 million consolidated group revenue threshold in the previous year;
- The requirements to submit a CbC report applies for ultimate parent entities in Bahrain, with reports due within 12 months following the end of the reporting fiscal year;
- Group constituent entities resident in Bahrain are required to submit a CbC notification by the last day of the reporting fiscal year, including information on whether the entity is the ultimate parent of the group and, if not, information on the tax residence and identity of the reporting entity;
- The required content of the CbC report is in line with OECD guidelines and must be submitted in the manner specified by the Ministry; and
- Failing to comply with the CbC reporting requirements will result in penalties as set out in Article 20 of Legislative Decree No. (27) Of 2015 with Respect to the Commercial Register.

Kingdom of Saudi Arabia

Kingdom of Saudi Arabia's first Special Economic Zone, Integrated Logistics Bonded Zone (ILBZ) Launched

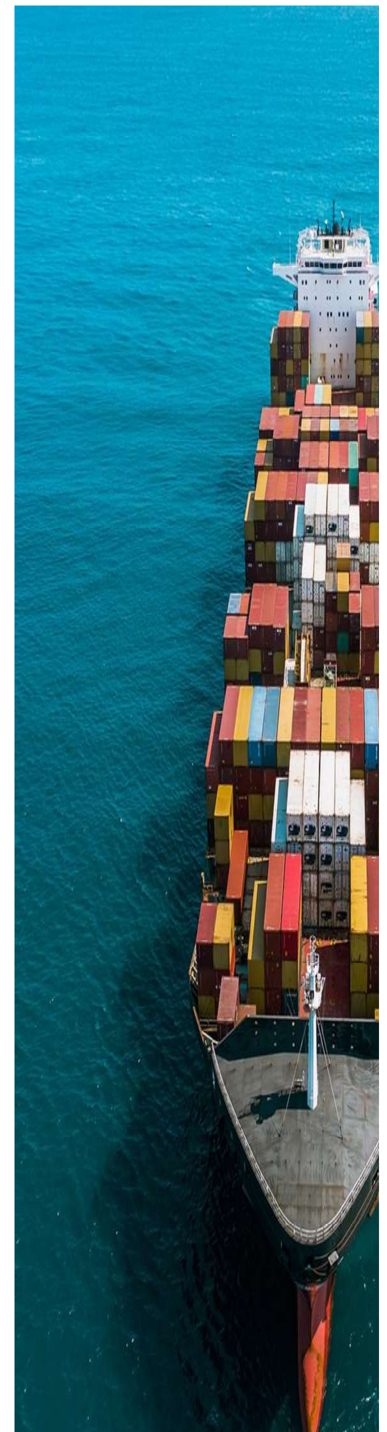
Saudi Arabia's first integrated logistics zone in Riyadh is recently launched by GACA as the inaugural project in a series of planned special logistics zones. This is set up to support His Royal Highness Crown Prince Mohammed bin Salman's vision to make it one of the 10 largest city economies in the world. SEZ will offer incentives to companies to establish operations at its site adjacent to the international airport in Riyadh along with incentives such as:

- 100% suspension of customs and import restrictions
- No restrictions on capital repatriation.
- 50-year Tax Holiday to include VAT suspension while under customs suspension;
- Zero-rated corporate, income and withholding tax on certain payments;
- 100% business ownership

The zone is strategically located to serve more than 650 million customers across Africa, Asia and Europe, linking them through King Khalid International Airport as well as the domestic and regional markets via the Saudi Land-Bridge Railway crossing Riyadh, and dry ports surrounding King Khalid International Airport. The zone is spread over an area of 3 million-square-meters. This will be a great step as the zone will offer facilities such as:

- Aviation facilities and Cargo handling
- Government-sponsored training programs advanced cargo-tracking technology
- A Government Services Office in the ILBZ to serve as a one-stop-shop to obtain any government services for the investors.

This is considered as the first important step towards developing the logistics sector and special economic zones in Saudi Arabia as it competitively positions itself as a global transportation and logistics hub.



Kingdom of Saudi Arabia Issues Reminder on COVID-19 Penalty Relief Initiative

On 14 March 2021, the General Authority of Zakat and Tax (GAZT) issued a notice to remind taxpayers to take advantage of its penalty relief initiative that was introduced in response to the COVID-19 pandemic.

The initiative, which was extended to 30 June 2021, includes 100% penalty relief where the principal amount of outstanding tax due is paid from January to March 2021, 75% penalty relief is provided if paid from April to May 2021, and 50% penalty relief is provided if paid in June 2021.

Kingdom of Saudi Arabia Consulting on Implementing Rules for E-Invoicing

The Saudi General Authority of Zakat and Tax (GAZT) has announced the launch of a public consultation on draft implementing rules for the country's new e-invoicing requirements, which will run until 17 April 2021. Interested parties, stakeholders, and taxpayers are highly encouraged to express their opinions and share feedback on the draft no later than April 17, 2021.

The e-invoicing requirements were approved on 4 December 2020 and will become mandatory from 4 December 2021.

Sultanate of Oman

Sultanate of Oman Publishes Implementing Regulations for New VAT Regime

The Sultanate of Oman Tax Authority (OTA) has issued the anticipated executive regulations providing implementing guidelines for the Value Added Tax (VAT) Law that will come into effect as from 16 April 2021 introducing VAT in Oman at 5%.

The regulations were issued via Ministerial Decision 53/2021 and published in Arabic in the official gazette on 14 March 2021.

The VAT registration process for businesses with a taxable supply turnover exceeding OMR 1 million opened on 1 February 2021 and is expected to stay open through the VAT go-live date of 16 April 2021. The second tranche of registrations for businesses with a taxable supply turnover exceeding OMR 500,000 will start on 1 April 2021 and run through 31 May 2021.

The regulations provide further guidance on several key areas and outline the rules, procedures, and conditions of various aspects of the VAT Law, including:

- Supplies, deemed supplies, composite supplies, and multiple supplies;
- Place of supply provisions, including for real estate services, telecommunication services, and electronically supplied services;
- VAT tax point for the supply of goods and services including vouchers and consignment sales;
- Determination of the value of supplies (including market value for related party transactions);
- Partial exemption and capital goods adjustment rules;
- Details of transactions that qualify as exempt or zero-rated supplies;
- VAT applicability on custom duty suspension and special zones provisions;
- Registration, tax grouping, and deregistration;
- Tax invoices, return filing, and record keeping;
- Tax oversight, inspection, collection, and refund of VAT; and
- Key administrative matters, including penalty provisions.

Oman welcomes Economic Stimulus Plan Including Tax Incentives and Other Support Measure

The Economic Stimulus Plan (ESP) approved by Oman's Sultan Haitham bin Tarik on March 9, 2021 aims to put Oman back on track of economic recovery post the setback due to COVID-19 pandemic.

The Sultan of Oman has given final approval for an economic stimulus plan as part of "Oman Vision 2040", which includes several tax incentives. In addition to the incentives, the plan also includes several other support measures, including:

- Losses incurred in the 2020 tax year would be allowed to carry forward indefinitely (normally subject to a 5-year limit);
- A deduction equal to 1% of the tax due for 2021, subject to an OMR 10,000 cap, provided for taxpayers that fulfill their tax obligations by the prescribed due dates;
- The suspension of the application of withholding tax on Omani-source interest and dividends paid to non-residents is extended through tax year 2024; and
- The tax payment installment facility introduced in 2020 is extended in 2021, allowing taxpayers to enter into payment agreements with the tax authority without additional tax.

In addition to the above, it has been clarified that the Oman tax authority will be issuing further details on the five-year tax exemption for new companies that operate in economic diversification sectors that would include manufacturing, agriculture, fishing, mining, tourism, logistics, and service sectors.

Qatar

Protocol to Tax Treaty between Qatar and China Signed

On 11 March 2021, officials from China and Qatar signed an amending protocol to the 2001 Income tax treaty between the two countries.

The protocol is the first to amend the treaty and will enter into force after the ratification instruments are exchanged.

Tax Treaty between Qatar and Rwanda approved by Rwanda's Cabinet

On 15 March 2021, Rwanda's Cabinet approved the draft law for the ratification of the pending income tax treaty with Qatar.

The State of Qatar and the Republic of Rwanda signed an agreement on 8 February 2021, to avoid double taxation and prevent financial evasion between the governments of the two countries, at the General Tax Authority's (GTA) headquarters in Doha.

Certain Other Jurisdictions

INDIA

India's CBDT Issues Circular on Tax Residence of Individuals

India's Central Board of Direct Taxes (CBDT) on 3 March 2021 issued [Circular No. 2 of 2021] on the determination of the tax residency of individuals with regard to the disruptions caused by COVID-19.

The new Circular is issued in response to presentations made to the CBDT with respect to unintended tax residency consequences with respect to FY 2020-21 for individuals who overstayed their intended stay in India due to the suspension of international flights.

In the Circular, the CBDT takes the position that the tax residency consequences for the individuals affected would in most cases find a satisfactory resolution either under Indian domestic law or in application of India's Double Tax Avoidance Agreements.

The conditions for acquiring tax residence under domestic law are such that non-residents merely overstaying their intended stay in India would likely not meet the residence tests, and, if met, ensuing double taxation would be avoided by way of a foreign tax credit.

For this reason and also in order not to create possibilities for double non-residence, the CBDT will abstain from issuing a blanket relaxation for FY 2020-21. Instead, individuals who suffer double taxation as a result of the disruptions may submit their case to the CBDT by filing a Form-NR (attached to the Circular) by 31 March 2021.

Once in receipt of such claims, the CBDT will determine whether any relaxation is required to be provided, and, if required, whether the relaxation should be provided in a specific case or, instead, for a specific class of individuals.

UNITED KINGDOM

UK Announces Publication of Finance Bill 2021

The UK Government has announced the publication of the Finance Bill 2021 (Finance (No. 2) Bill), which includes measures announced as part of the Budget 2021 on 3 March 2021.

The key highlights of the Finance Bill are as under:

- Announcement to support jobs and livelihoods
- Extensions to stamp duty
- Increasing the rate of Corporation Tax to 25% on profits over £250,000 from April 2023, balancing the need to raise revenue with the objective of having an internationally competitive tax system. Over 90 per cent of businesses will pay less than the 25%.
- Maintaining Income Tax Personal Allowance and Higher Rate Threshold at 2021 levels. This is a progressive measure: the richest households will contribute the most.
- Keeping the Capital Gains Tax Annual Exempt Amount (AEA), the inheritance tax nil-rate band and the pensions Lifetime Allowance at their current levels
- The 'super deduction' - from 1 April 2021 until 31 March 2023. The independent Office for Budget Responsibility have forecast that, at its peak, the super-deduction will raise the level of business investment by 10%, or roughly £20bn a year.
- Supporting the introduction of Freeports through allowing the government to designate 'tax sites' in Freeports in Great Britain, where businesses will be able to benefit from a number of tax reliefs.
- Implement a Plastic Packaging Tax which encourages the use of recycled plastic instead of new plastic within packaging. The rate of the tax is £200 per tonne of plastic packaging which contains less than 30% recycled plastic content.
- Extending the VAT cut for tourism and hospitality to September.
- Reform the penalty regime for VAT and Income Tax Self-Assessment (ITSA) to make it fairer and more consistent. The new late submission regime will be points-based, and a financial penalty will only be issued when the relevant threshold is reached.

The Bill will now follow the normal passage through parliament.

GERMANY

German Ministry of Finance publishes draft law proposing to modernize corporate income tax rules

The German Ministry of Finance (MOF) published the draft version of an "Act to modernize the corporate income tax law" on 19 March 2021. The draft law proposal, which has not yet been approved by the government, contains some measures that would provide additional flexibility to taxpayers, including an option for partnerships to be taxed as corporate entities.

Other proposed measures include the following:

- An extension of the application of certain provisions of the German Reorganization Tax Code that allow for tax-neutral restructurings, to apply to restructurings involving companies that are resident outside of the EU/European Economic Area (EEA);
- The introduction of new rules for the treatment of certain accounting items within a tax consolidated group that exist as a result of book-tax differences; and
- The abolition of a provision that currently prevents a tax deduction for foreign exchange losses in connection with loans granted to related parties.

RUSSIA

Russia Clarifies Treaty Benefits for Interest and Dividend must meet the Principle Purpose Test and concept of beneficial owner introduced to avail benefits of Tax Treaty

On 30 April 2020, Russia notified OECD that it had completed its national procedures for implementing the Multilateral Convention (MLI) for 27 Double Tax Treaties ('DTT'), on 26 November 2020 Russia notified about completing national procedures with 7 more jurisdictions.

As MLI in respect of 27 DTTs becomes effective from 1 January 2021 for all taxes and for 7 DDTs in respect of only withholding taxes, Russia expressed the intention to adhere to the strictest possible approach and impose the maximum limitations on providing tax benefits.

Simplified Limitation of Benefits was the option selected by Russia, but most other countries selected Principle Purpose Test (PPT).

Therefore it is more likely that in most cases DTT benefits shall not be granted if obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit.

Further, the concept of the actual owner of income (i.e. the 'beneficial owner') was introduced into Russian tax legislation by the so-called 'Deoffshorisation' Law.

It determines the ability to apply lower tax rates under a DTT.

According to the law, a tax agent has to request confirmation that a foreign entity is a beneficial owner of income. If the actual beneficial owner is known, the tax agent may apply the 'look through' approach (to use a treaty with the country where this beneficial owner resides). If the beneficial owner is located in Russia or a non-treaty country, the income paid is taxed under the Russian Tax Code rules.

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