



# Tax '23 March Updates

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# Tax updates

2023 March Edition

Dear Readers,

*"Learn continually - there's always 'one more thing' to learn."*

Sending wishes of a joyous and prosperous Ramadan to you and your family. I hope our Tax Update finds you in good health and in high spirits as we enter the second quarter of 2023.

In today's rapidly changing business environment, it is essential that we stay informed about the latest updates in tax laws and regulations, both domestically and internationally. It is imperative that we stay ahead of the curve to ensure compliance and avoid any potential penalties.

It is important for businesses to stay up-to-date with these changes and to ensure compliance with the latest regulations. This requires proactive planning and ongoing communication with tax authorities, as well as a commitment to maintaining high standards of integrity and transparency in all tax-related matters.

Emirates Chartered Accountants Group takes our tax obligations seriously and strives to stay informed about the latest developments in tax regulations and compliance. We remain committed to working closely with our clients to ensure that we meet our tax obligations.

Hoping that you are enjoying and learning from our monthly tax bulletin, and we look forward to continue serving the business community in the months and years ahead.

Eid Mubarak in advance!

**CA. Manu Palerichal**  
CEO & Partner



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# United Arab Emirates

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## The Federal Tax Authority (FTA) has launched Muwafaq Package initiative

On 16 March 2023, The Federal Tax Authority (FTA) has launched Muwafaq Package initiative to facilitate doing business and tax compliance in the small and medium-sized enterprises (SMEs) sector, offering them a set of customised services, incentives, and privileges.

Muwafaq Package can be accessed by SMEs registered in the tax system in the UAE through the digital tax services platform Emaratax. It is stated that Muwafaq Package offers innovative tax solutions for SMEs registered in the tax system, as well as educational materials about tax systems. The Package was tailored to SMEs and designed to empower the people behind these projects to be a driving force for the national economy, and promote entrepreneurship and innovation.

## Guidance on new VAT reporting requirement for e-commerce

The Federal Tax Authority (FTA) of the UAE released Public Clarification VATP033 on 24 February 2023 to provide further clarity on the concept of Electronic Commerce Medium. The clarification highlights that this medium encompasses a wide range of technologies, such as stores in the metaverse, smart kiosks, robotic devices, and more.

As explained in the public clarification, taxable persons supplying goods and services through e-commerce exceeding AED 100 million in a calendar year are referred to as "qualifying registrants".

The clarification also explains the criteria and conditions outlined in Article 3 of the decision and offers examples to better illustrate its application. It also explains the factors that should be considered when determining the Emirate in which the supply of goods or services should be reported.

According to the clarification, **for services received**, the place of residence of the customer shall take precedence over other factors, such as billing address or IP address.

For the **supply of goods**, the location specified by the customer shall take precedence over factors such as place of residence, billing address, or IP address.

The clarification is intended to provide businesses with clear guidelines on how to report their electronic commerce transactions for VAT purposes in the UAE.





## Guide on input tax apportionment

In March 2023, the tax authority of the UAE released an updated value-added tax (VAT) guide on input tax apportionment, in accordance with Federal Decree-Law No. 8 of 2017 on VAT and its amendments, as well as the regulations.

This guide aims to assist in the application of VAT legislation regarding input tax apportionment and special methods for input tax apportionment. The previous guide, published in December 2019, has been replaced by this updated version.

The new guide offers the following guidance:

- a. The scope of sectors eligible to use the outputs-based special apportionment method and sectoral special apportionment method has been extended.
- b. The date on which a VAT registrant can apply to use a special apportionment method for the first time has been clarified.
- c. The effective date of application of the approved special method has been clarified.
- d. The requirements for re-application of a special apportionment method have been clarified.

## Central Bank of UAE launched digital currency strategy

The Central Bank of UAE (CBUAE) has partnered with G42 Cloud and R3 to implement its Central Bank Digital Currency (CBDC) Strategy as part of its Financial Infrastructure Transformation (FIT) Programme.

This follows successful CBDC initiatives such as Project "Aber" with the Saudi Central Bank and the "mBridge" Project with several central banks. The first phase of the CBDC Strategy includes a soft launch of mBridge, proof-of-concept work for bilateral CBDC bridges with India, and proof-of-concept work for domestic CBDC issuance.

CBDC will address payment pain points, enhance financial inclusion, and strengthen the UAE's payment infrastructure. It will further strengthen the UAE's payment infrastructure, providing additional robust payment channels and ensuring a resilient and reliable financial system.

## Public clarification on registration of warehouse keeper and designated zones

The Federal Tax Authority has issued a public clarification on Registration of Warehouse Keeper and Registration and Renewal of Designated Zone vide EXTP010.

The clarification details the method to register as a Warehouse keeper and the conditions and criteria to be met to convert a warehouse to a Designated Zone.

A Designated Zone (DZ) has to be renewed at least 20 working days before date of expiry, failing which the DZ will be treated as suspended. The warehouse keeper is also expected to monitor and notify the FTA in case of 20% increase in the originally reported month end stock, and the financial guarantee will be re-assessed based on the same.

This public clarification issued on 10 March 2023 replaces the earlier Clarification Renewal of Designated Zone Registration ((EXT005) and will come into effect from 01 April 2023.

## Tax Treaty signed between Republic of the Congo and the UAE

On 13 March 2023, officials from the Republic of the Congo and the United Arab Emirates 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.



## Kingdom of Bahrain

### The National Bureau of Revenue announces that digital stamps will be required for waterpipe tobacco products

According to the NBR, the imports of waterpipe tobacco products without a digital stamp will no longer be permitted through customs points of entry in Bahrain starting from 19 March 2023.

The NBR will take the necessary legal actions in case of failure to comply with the Digital Stamps Scheme requirements by imposing administrative penalties or filing a criminal case for Excise evasion offense where applicable.

“  
The imports of waterpipe tobacco products without a digital stamp will no longer be permitted through customs points of entry in Bahrain starting from 19 March 2023.

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### Bahrain launches ‘golden license’ for companies to attract investment

As reported by Arab News on 03 April 2023 , Bahrain said it was introducing a “golden license” offering benefits to companies bringing large-scale investment projects to the Gulf state.

The move is part of an economic recovery plan launched by the oil-producing state in October 2021 to boost growth and job creation.

“Companies with major investment and strategic projects that will create more than 500 jobs in Bahrain, or those with investment value exceeding \$50 million, will be eligible for the license,” the government’s media office said.

The golden license will be offered to local and foreign businesses and benefits include prioritized allocation of land, infrastructure and services, easier access to government services and support from government development funds, the statement said.

# Kingdom of Saudi Arabia

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## **Saudi Arabia announces third wave of Phase 2 e-invoicing integration**

On 24 March 2023, the ZATCA announced on its website that taxpayers who are resident in Saudi Arabia having taxable turnover above SAR 250M during the calendar year 2021 or 2022, will fall within the third wave of Phase 2 e-invoicing integration and should comply with the Phase 2 requirements.

ZATCA has stated that Phase Two (Integration Phase) requires additional requirements, the most prominent of which are to integrate taxpayers' e-invoicing solutions with ZATCA's platform (FATOORA), issue e-invoices based on a specific format, and include additional fields in the invoice. Furthermore, Phase Two (Integration Phase) of E-invoicing would take place gradually in waves, and ZATCA would inform the following waves directly at least six months before their Integration Date.

## **Saudi Arabia announces deadline for initiative to cancel tax fines**

The ZATCA urged all taxpayers to benefit from the Cancellation of Fines and Exemption of Financial Penalties initiative. Taxpayers have until the end of May to take advantage of an offer to cancel fines handed out over tax payment in Saudi Arabia.

The Authority has also clarified that the fines covered by the exemption decision, according to the Authority, include fines for late registration in all tax systems, late payment, late filing of returns fines in all tax systems, and fines to correct VAT returns, as well as fines for violations of VAT field control related to applying the e-invoicing regulations and other general regulations.

## **Saudi Arabia likely to offer tax exemptions to multinationals relocating headquarters.**

The Minister of Investment in Saudi Arabia, Khalid Al-Falih, has announced that multinational companies relocating their regional headquarters to the Kingdom this year are likely to receive tax exemptions.

During an interview with the British newspaper Financial Times, Al-Falih noted an announcement regarding incentives will be issued soon to clarify the regulations for global firms.

The Regional Headquarters Program (RHQ) is a joint initiative between the Ministry of Investments and the Royal Commission for Riyadh City, inviting global companies to move their regional headquarters to Saudi Arabia.

# State of Qatar

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## Tax Treaty between Qatar and Egypt Signed

On 27 February 2023, officials from Qatar and Egypt 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.

## Certain Other Jurisdictions

### OECD

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#### OECD releases fifth peer review report on prevention of treaty shopping

The OECD has announced the release of the Fifth Peer Review Report on Treaty Shopping, which shows that members of the OECD/G20 Inclusive Framework on BEPS are making significant progress in implementing the BEPS package to tackle international tax avoidance.

The report highlights the importance of the BEPS Multilateral Instrument as the tool used by most jurisdictions to implement the BEPS Action 6 minimum standard and confirms that the MLI is expanding its coverage as more jurisdictions ratify it. This is a positive development in the fight against treaty abuse and demonstrates the commitment of all members of the OECD/G20 Inclusive Framework on BEPS to ensuring a fair and transparent international tax system.

#### G20 Finance Ministers and Central Bank Governors Remain Committed to Swift Implementation of the OECD/G20 Two-Pillar International Tax Package

Following the G20 Finance Ministers and Central Bank Governors meeting held on 24 and 25 February 2023 in Bengaluru, India, the outcome document has been published which includes a G20 Chair's summary.

With regards to taxation, it was stated that cooperation will continue for a globally fair, sustainable, and modern international tax system fit for purpose for the 21st century. The OECD/G20 two-pillar international tax package will be swiftly implemented, with a call for the finalisation of Pillar One, including the remaining issues, so that the Multilateral Convention can be signed in the first half of 2023.

The Global Forum on Transparency and Exchange of Information for Tax Purposes ("Global Forum") was asked to update the G20 on the implementation of the roadmap in its 2021 Strategy on Unleashing the Potential of Automatic Exchange of Information for Developing Countries, including efforts made to encourage such jurisdictions to adopt the Automatic Exchange of Information (AEOI) framework under the Common Reporting Standard (CRS). Lastly, the OECD was called upon to conclude the work on the implementation packages concerning the Crypto-Asset Reporting Framework and amendments to the CRS.



# India

## Withholding tax rate on royalties and Fees for technical fees doubled

On 24 March 2023 India's Lok Sabha passed the Finance Bill 2023 into law with a total of 64 deviations from the original draft submitted on 1 February 2023. The amended bill was later passed by the upper house on 27 March 2023 and received the assent of the President on 31 March 2023. The amendments of Finance Bill shall apply effective 1 April 2023.

Among the other amendment in the Bill, the significant one is the Amendments to section 115A [related to tax on dividends, royalty, and fees for technical service in case of non-resident]. Vide this amendment the withholding tax rate on royalties and fees for technical services paid to non-residents is increased from 10% to 20% from 1 April 2023.

Further, the non-resident claiming lower withholding tax shall be required to fulfil other compliances in India, like obtaining PAN, filing of tax Return, etc.



# Singapore

## Singapore updates e-Tax guide on the tax treatment of leases arising from adoption of financial reporting standards

The Inland Revenue Authority of Singapore has published an updated e-Tax Guide, [Tax Treatment Arising from Adoption of Financial Reporting Standard 116 or Singapore Financial Reporting Standard \(International\) 16 – Leases \(Third Edition\)](#). The e-Tax guide provides guidance on tax treatment for entities adopting Financial Report Standard 116 or Singapore Financial Reporting Standard (International) 16 (FRS 116 / SFRS(I) 16) and is relevant for taxpayers required to comply with the requirements in FRS 116 / SFRS(I) 16 for the recognition, measurement, presentation, and disclosure of leases within the scope of the reporting standards.

## Singapore updates e-Tax guide on the corporate income tax objection and appeal process

The Inland Revenue Authority of Singapore has published an updated e-Tax Guide, [Corporate Income Tax – Objection and Appeal Process \(Third Edition\)](#). The e-Tax guide sets out the administrative aspects of the Objection and Appeal Process and provides guidance to taxpayers on filing a valid objection.

Taxpayers in Singapore who wish to dispute a Notice of Assessment (NOA) must file a Notice of Objection within two months from the date of service of the NOA. The CIT will review and provide his decision in writing within six months from the date of receipt of the taxpayer's last correspondence with complete information and supporting schedules. Taxpayers must inform the CIT in writing if they agree with the CIT's decision within three months from the date of the CIT's letter.

## United Kingdom

### UK increases Plastic Packaging Tax rate

The UK HMRC has released updated Guidance regarding the Plastic Packaging Tax (PPT), which will see an increase in the PPT rate from £200 per tonne to £210.82 per tonne, effective from 1 April 2023.

The HMRC Guidance outlines that businesses must register for the PPT if they intend to import or manufacture 10 tonnes or more of finished plastic packaging components within the next 30 days or have already imported or manufactured 10 tonnes or more since 1 April 2022.

From 31 March 2023, the retrospective test will apply on the last day of every month, requiring businesses to register for the PPT if they have imported or manufactured 10 tonnes or more of finished plastic packaging components in the previous 12 months. It is important to note that businesses will be required to pay the PPT if they have manufactured or imported plastic packaging components that contain less than 30% recycled plastic

### UK Publishes Spring Finance Bill 2023

UK HM Treasury has announced the publication of the Spring Finance Bill 2023, which includes measures announced as part of the Spring Budget 2023. The Bill includes generous tax packages worth over £27 billion for businesses, including two new major capital allowances, full expensing and a 50% First Year Allowance.

The Bill also includes pensions tax changes to support 15,000 doctors and other highly-skilled individuals to stay in work, as well as the Brexit Pub Guarantee, tax incentives for the creative sector and a new 50% domestic Air Passenger Duty rate. The Bill received its first reading in Parliament on 21 March and is expected to follow the normal passage through Parliament.



UK HM Treasury has announced the publication of the Spring Finance Bill 2023, which includes measures announced as part of the Spring Budget 2023.



# Our

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- 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

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- Emirates CA Consultancy WLL
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