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Tax Updates

'22 November

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Tax *updates*

2022 November Edition

Dear Readers,

"Every task, goal, race, and year comes to an end…therefore, make it a habit to FINISH STRONG."

As I step into our offices, the energy is distinctive, the joy is palpable and the spirit of the season is alive at Emirates Chartered Accountants Group [ECAG]. The ultimate weeks of 2022 are approaching, and we prepare for the new 2023. The energy of the fresh year is gushing with exhilaration, anticipation, and hope.

2022 has been a year filled with progression, advancement, and co-learning. We continue to achieve our goals and ambitions to support and serve the business community with utmost integrity, a passion for precision, and above all to always provide quality service.

We have continued to pursue our objective of everyday learning and continuous education to everyone around us which I wouldn't be able to achieve without our marvelous professionals. I would also like to acknowledge and thank their commitment and efforts.

Wishing you all a joyous, peaceful & love-filled Christmas, Merry Christmas in advance! Stay safe, keep well, and enjoy the break if you are having one and we look forward to continuously serve you.

From ECAG family to yours, may the new year bring the very best in everyone of us!

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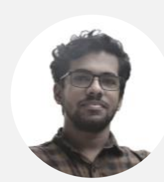

Hareesh Mohanan
Designer

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United Arab Emirates

Amendment of the UAE VAT Regulations

The United Arab Emirates (UAE) Cabinet issued Decision No. 99 of 2022 amending the provisions of Articles 3 and 72 of the UAE VAT Executive Regulations. The amendments are effective from 01 January 2023.

As per the new amendment, the functions of a member of a **board of directors** are no longer considered a ‘Supply of Services’. The amended Regulation also requires taxable persons making taxable supplies through electronic commerce to keep records of the transaction to prove the Emirate in which the supply is received.

Tax Procedures Decree Law

On 4 November 2022, the UAE's Ministry of Finance issued Federal Decree Law No. 28 of 2022 on Tax Procedures (New TPL) repealing Federal Decree Law No. 7 of 2017 on Tax Procedures (Current TPL). The New TPL will come into effect on 1 March 2023.

This New TPL amends various articles included of the Current TPL and introduces new provisions. The most significant changes relate to definitions, language, offset of tax liabilities against tax receivables, voluntary disclosure, tax agents, timeframe for notifying taxpayers of a tax audit/assessment, the amount of administrative penalties, the amount of tax audits and refunds, collection of taxes if there is a risk of revenue loss, the monetary penalties for tax crimes, the statute of limitations, and the dispute resolution process.

With the updated TPL, businesses will be able to manage appeals more efficiently. As a result, taxpayers now have more time to submit reconsideration requests and TDRC objections, and they no longer need to settle a penalty amount before submitting an objection to the TDRC.

FTA activates ‘EmaraTax’ platform

Federal Tax Authority (FTA) launched its new intergrated and fully developed digital tax administration platform ‘EmaraTax’ on 5 December., 2022.

The data of all existing users of the previous system was successfully migrated to EmaraTax, enabling them to easily use the new digital platform, without any impact on transactions carried out by them.

EmaraTax is intuitive, easy to navigate and offers improved self-help options. It will also be available on mobile soon.

New VAT Public Clarification – Gold-Making charge

Based on a new decision by the Cabinet, the definition of goods in Cabinet Decision No. 25 has been amended to state that it may include Making Services directly in connection with the Gold, for the limited period between 1 June 2018 and 31 December 2022. This temporary change in definition would allow for the application of the reverse charge mechanism on the Making Services that are directly in connection with the supply of Gold, where the conditions as stipulated in Cabinet Decision No. 25 of 2018 are met for that specific period only.

However, from 1 January 2023, the application of the reverse charge mechanism will be restricted to the supply of Gold and any products where the principal component consists of Gold.

New law to boost UAE's position as a family business hub

On Monday, 28 November, 2022 the Ministry of Economy organized a media briefing in Abu Dhabi to introduce the Federal Decree Law No. 37 of 2022 on family businesses which forms part of the Government's comprehensive and long-term strategy to enhance and raise the family business environment in the country globally competitive levels.

According to the law, a family-owned company is a company established in accordance with the provisions of the Commercial Companies Law in the country, with most of its shares owned by people belonging to one family. It must be registered in the unified family business registry, which is established under the provisions of this law.

Some of the prominent features of the decree-law are as follows:

- The establishment of a unified register of family businesses under the supervision and follow-up of the Ministry of Economy.
- The law applies to all family-owned companies that exist in the country, and the owners who own the majority of the shares in the family business. The law also applies to all commercial companies except for public and solidarity companies.
- The law regulates the ownership of family businesses by defining their capital, how the partner disposes of his share, and the mechanism for waiving it, in addition to regulating the right of redemption and evaluation of shares and their categories, as well as the family company's purchase of its shares.
- Cancels the restriction on the maximum number of shareholders in the family company when it is in the form of a limited liability company.
- Formation of 'Family Business Dispute Resolution Committee'.
- The law establishes a set of mechanisms for managing the family business, whether by the director or the board of directors.
- It will be effective from January 2023.

Customs Notice on Procedures and Fees of Commercial Invoices Attestation by the Ministry of Foreign Affairs & International Cooperation for Imports to Local

The Dubai Customs vide Customs Notice No. (11/2022) has decided that the Ministry of Foreign Affairs and International cooperation shall collect a fixed fee of AED 150 for attestation of each commercial invoice of imported goods value more than or equal to AED 10,000. Declarants should finalize the payment of attestation fees within a maximum of 14 days from date of completing the customs declaration, and non-compliance would attract administrative penalties.

The documents attestation service can be accessed from their website through https://www.mofaic.gov.ae/ar-ae/Services/attestation. The notice issued on 2 November, 2022 shall come into effect from 1 February, 2023.

Amending Protocol to Tax Treaty between Switzerland and the UAE Signed

On 5 November 2022, officials from Switzerland and the UAE signed an amending protocol to the 2011 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.

Sultanate of Oman

Sultanate of Oman's Shura Council Approves Income Tax on High Earners

Oman's Shura Council on 6 November 2022 approved a draft law introducing a income tax on high earners in 2023 for the first time in any Gulf Cooperation Council member state.

Currently, the income tax needs to be approved by the Council of Ministers and approved by Sultan Haitham bin Tariq Al Said in order to become law.

Sultanate of Oman Approves Pending Tax Treaty with Egypt

Oman's Shura Council approved the ratification of the income tax treaty with Egypt on 6 November 2022.

The treaty, signed 26 April 2000, 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 for Revenue (NBR) updates the list of excisable goods

On November 2016, the Gulf Cooperation Council (GCC) agreed to implement excise taxes on specific harmful goods to reduce their consumption. As part of regional and international agreements, Bahrain adheres to the Common Excise Tax Agreement of the States of the GCC, to control excise goods consumption. Excise Tax was implemented in Bahrain on 30th December 2017. Excise is imposed on products that are harmful to human health and to the environment.

The National Bureau for Revenue website contains the most vital information related to the procedures of imposing the excise. **The NBR portal has recently updated the excise goods list.**

Kuwait

Kuwait and Spain to Amend Tax Treaty

On 15 November 2022, officials from Kuwait and Spain met to discuss a draft amending protocol to the 2008 tax treaty between the two countries. Any resulting protocol would be the first to amend the treaty and must be finalized, signed, and ratified before entering into force.

Qatar

Tax Treaty between the Czech Republic and Qatar has Entered into Force

The income tax treaty between the Czech Republic and Qatar entered into force on 25 October 2022. The tax treaty will be effective from January 1, 2023.

As per the information available in the public domain, Withholding Tax Rates are as under:

- Dividends - 5% if the beneficial owner is a company directly holding at least 10% of the paying company's capital; otherwise, 10%
- Interest - 0%
- Royalties - 10%

Kingdom of Saudi Arabia

Kingdom of Saudi Arabia approves controls for collecting full Zakat from all companies, institutions

Mohammed Al-Jadaan, the Minister of Finance and Chairman of the Zakat, Tax and Customs Authority (ZATCA), approved the controls for collecting all Zakat from all companies, institutions, and others, provided that this decision will apply to fiscal years beginning on or after January 1, 2023.

A wholly state-owned company is exempt from Zakat collection for the fiscal year in which it achieves any of the following controls:

- Investments of the company must be made outside the Kingdom.
- The company's budget shall be financed by the State Treasury and the following conditions shall be met:
  - Its purpose should be to support government agencies in their work.
  - Most of its customers should be government agencies.
  - A non-for-profit organization.
  - Sales to the private sector should not exceed (10%) of the total sales.

Kingdom of Saudi Arabia - Proposed amendments to Transport Services provisions of Article 34 of the VAT Implementing Regulations

The Zakat, Tax and Customs Authority ('ZATCA') has proposed several amendments to sub-articles (2) and (8) of Article 34 of the KSA VAT Implementing Regulations.

The **proposed amendment** has been published on the Public Consultation Platform of the National Competitiveness Center on 8 November 2022 - for public consultation.

Interested stakeholders and taxpayers were encouraged to express their opinion on this **platform** and share feedback on the proposed amendment no later than 22 November 2022.

The main changes proposed are:

- ZATCA removed the requirement that the aircraft should be designed or adapted to carry a minimum of ten (10) people in order to be considered as a qualifying means of transport. However, ZATCA retained this requirement for vehicles and vessels.
- Further clarification has been added with respect to qualified mean of transport to be used predominantly for international transportation.

Certain Other Jurisdictions

OECD

OECD Releases Annual Corporate Tax Statistics Report Including New Aggregated Country-by-Country Report Data

The latest OECD Corporate Tax Statistics includes new aggregated country-by-country reports (CbCR) on almost 7,000 multinational enterprises, which represents a major step forward in tax transparency.

According to the new CbCR data, the median CIT rate for jurisdictions with zero corporate income tax (CIT) is USD 2 million, compared to just USD 300,000 for jurisdictions with a CIT rate above zero. In investment hubs, related party revenues account for 35% of total revenues, while the average share in high, middle, and low income jurisdictions is 15%. This effect may reflect some commercial considerations, but it may also indicate the presence of BEPS.

Next year's edition of Corporate Tax Statistics will include two years of new CbCR data.

Agreement on exchange of information on digital platforms and offshore assets

During the 15th Plenary Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes, 22 jurisdictions signed the multilateral competent authority agreement (MCAA) for automatic exchange of information under the OECD Model Rules for Digital Platform Reporting.

Through the agreement, jurisdictions will be able to exchange information collected by operators of digital platforms about transactions and income generated by platform sellers in the sharing and gig economy. This information will assist tax administrations and taxpayers to ensure accurate and efficient taxation.

Additionally, the Model Mandatory Disclosure Rules on Common Reporting Standard Avoidance Arrangements and Opaque Offshore Structures (CRS Mandatory Disclosure Rules) were signed by 15 jurisdictions. By signing this agreement, intermediaries will be able to automatically exchange information on arrangements to circumvent the Common Reporting Standard (CRS) and structures that disguise beneficial owners of offshore assets with the jurisdiction of tax residence.

Germany

Germany published Eighth Excise Tax Amendment Law

On 28 October 2022, Germany published the Eighth Excise Tax Amendment Law.

Essentially, the law aims to align German law with EU legislation regarding excise taxes, including Council Directives (EU) 2020/262 on general excise duty (recast) and Council Directives (EU) 2020/1151, which amend Directive 92/83/EEC to harmonize the structures of excise duties on alcohol and alcoholic beverages.

France & Luxembourg

France and Luxembourg increase tolerance threshold for cross-border workers

Luxembourg's Ministry of Finance announced on 7 November 2022 the signing of a protocol to amend the 2018 tax treaty between Luxembourg and France to increase the tolerance (time) threshold for cross-border workers from 29 days to 34 days.

As such, cross-border workers who reside in France and work in Luxembourg can work 34 days outside Luxembourg without being taxable in France (and vice versa, assumed).

The protocol will enter into force after the ratification instruments are exchanged and will apply from 1 January 2023

Russia

Russia Planning to cut VAT Rate on Several Goods

On 17 November 2022, the Russian parliament considered draft Bill No. 237553-8, which proposes a reduction in the VAT rate on certain goods considered to be socially significant.

This includes a reduction in the rate from 10% to 5% on food products, goods for children, books and periodicals, and several foreign and domestically produced medical supplies.

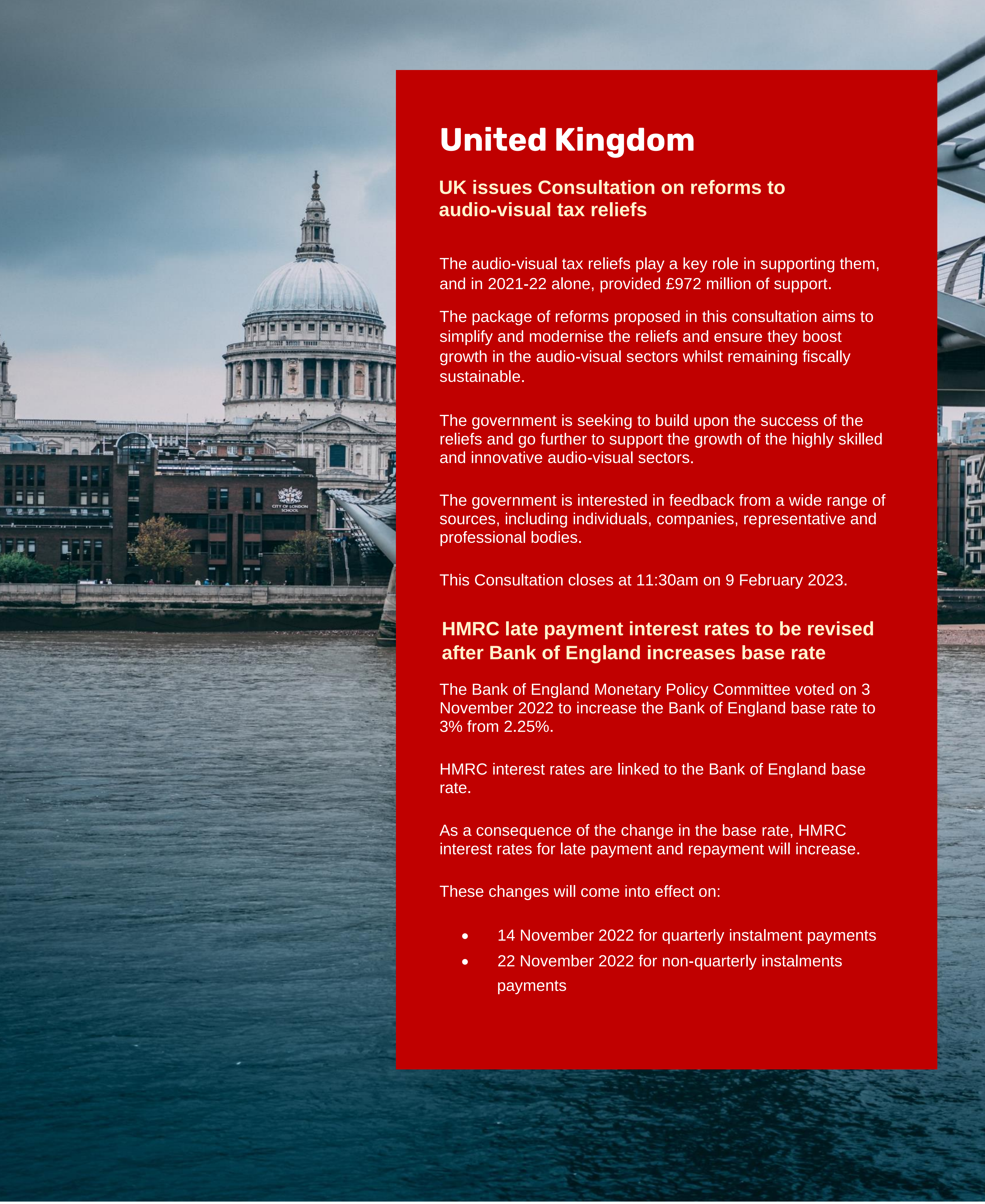
Singapore

Corporate Income Tax filing benefits for adopters of seamless filing from software

The Inland Revenue Authority of Singapore (IRAS) has announced that additional benefits are being provided for adopters of seamless filing from software from the Year of Assessment 2023.

Companies and tax agents filing corporate income tax (CIT) returns seamlessly from software will enjoy up to two benefits for the years of assessment (YA) 2023 to 2025, the Inland Revenue Authority of Singapore (IRAS) has announced.

- First, those filing Form C-S (income tax return) seamlessly from software will get a 15-day automatic extension of the filing due date, while IRAS will grant a two-week extension of goods and services tax filing due date upon request.
- Second, IRAS will waive penalties for errors made in the returns due to unfamiliarity with the use of the software.



United Kingdom

UK issues Consultation on reforms to audio-visual tax reliefs

The audio-visual tax reliefs play a key role in supporting them, and in 2021-22 alone, provided £972 million of support.

The package of reforms proposed in this consultation aims to simplify and modernise the reliefs and ensure they boost growth in the audio-visual sectors whilst remaining fiscally sustainable.

The government is seeking to build upon the success of the reliefs and go further to support the growth of the highly skilled and innovative audio-visual sectors.

The government is interested in feedback from a wide range of sources, including individuals, companies, representative and professional bodies.

This Consultation closes at 11:30am on 9 February 2023.

HMRC late payment interest rates to be revised after Bank of England increases base rate

The Bank of England Monetary Policy Committee voted on 3 November 2022 to increase the Bank of England base rate to 3% from 2.25%.

HMRC interest rates are linked to the Bank of England base rate.

As a consequence of the change in the base rate, HMRC interest rates for late payment and repayment will increase.

These changes will come into effect on:

- 14 November 2022 for quarterly instalment payments
- 22 November 2022 for non-quarterly instalments payments

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- Standard Operating Procedures.
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TAX:

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  - ✓ 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]

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  - ✓ Pre- Tax Audit
  - ✓ VAT Return Filing & Refund
  - ✓ Registration/De-registration
  - ✓ Representation to FTA
- Customs

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

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Group Companies

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- Emirates CA Consultancy WLL
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