



Tax '22

October

Updates

Tax updates

2022 October Edition

Dear Readers,

We make a life by what we give and here's to the joy of giving! With great joy and fervour sharing the October edition of our Tax Updates 2022.

Expressing my sincere gratitude for the vision and directives of HH Sheikh Mohammed Bin Rashid Al Maktoum to make Dubai the world's best city to live, work and invest in - Dubai has remained the world's leading foreign direct investment hub in the first half of 2022, attracting 492 FDI projects, an 80.2 percent increase compared to the same period in 2021.

"To improve is to change; to be perfect is to change often." Likewise, staying at par with international tax practices the Ministry of Finance has amended some of the provisions in Value Added Tax (VAT) in the UAE. Also, Federal Decree Law No. (19) of 2022 has been issued amending the Federal Decree Law No. (7) of 2017 on Excise Tax Laws as well. Both have been covered by our experts in this edition and you will be able to read further in detail.

The UAE is not only a major oil exporter but is also keen on investing to develop non-fossil fuel energy sources, including building the world's largest single-site solar power plant and the first nuclear power plant in the Arab world. Recently, the US and UAE have announced the signing of a strategic partnership where \$100 billion shall be mobilized to develop 100 gigawatts of clean energy by 2035. Aiming to encourage energy security and advance progress in climate action. UAE also plans to host the COP 28 climate summit in 2023.

The UAE's robust corporation with the international investment communities has been mounting with an obligation to progress and protect businesses to become successful. Dubai's status has been accelerating as a regional and global investment hub.

Trust you would find this compilation insightful, and we will be happy to accept any suggestions for improvement.

Wishing well to all our readers!

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United Arab Emirates

The United Arab Emirates ('UAE') Federal Tax Authority to launch a New Integrated Platform, 'EmaraTax'

On October 11, 2022, the UAE Federal Tax Authority announced the launch of an online platform called 'Emara Tax' which will significantly enhance the way that taxpayers access the FTA's services, pay their taxes, obtain refunds and also receive alerts regarding pending actions, such as tax returns that need to be submitted, payments that are outstanding, etc.

With the new platform, all other institutions, and authorities, such as the Central bank of the UAE, Customs, etc., will be integrated, thereby streaming services, and improving taxpayer's experience.

The launch of Emaratax is expected to bring in new era of transparency and convenience for taxpayers.

Over the course of the next few weeks, the FTA will release more information about the features of EmaraTax and how to transition to the new system.

Amendment to the Value Added Tax Law

The Federal Tax Authority of the UAE has amended certain provisions of the Federal Decree-Law No. 8 of 2017 on Value Added Tax ('UAE VAT Law') vide Federal Decree-Law No. 18 of 2022.

These amendments would be effective from 01 January 2023.

The major changes include:

- a. Providing circumstances where the statute of limitations of 5 years for FTA to conduct Tax Audits may be extended
- b. Restriction on filing a Voluntary Disclosure after 5 years from the end of the relevant tax period
- c. Providing the Cabinet with powers to introduce new goods or services under the Reverse Charge Mechanism
- d. Placing a time limit of 14 days for the issuance of Tax Credit Notes



Introduction of MAGNATI

The Federal Tax Authority announced that from 30 October 2022 it will start accepting MAGNATI as a new payment method for paying tax liabilities instead of eDirham. eDirham will no longer be a payment option.

Magnati, is the fully owned payments subsidiary of First Abu Dhabi Bank (FAB).

Magnati offers an array of customised industry-specific solutions to make payments seamless and to provide a better experience for merchants and customers in diverse areas such as government services, healthcare, education, real estate, hospitality, F&B, retail and even parking solutions for both attended and un-attended environments.

Amendment in Excise Tax Law and release of Public Clarification

The Federal Decree Law No. 19 of 2022 has been released amending few provisions of Federal Decree Law No 7 of 2017. These amendments are detailed in the Public Clarification EXTP009.

The major updates to the law are registration exception for persons importing excisable goods for purposes other than for business, requirement to settle with FTA any amount being collected as Excise Tax, and the timelines for conduct of Tax Audit and issuance of Tax Assessment.

The new Federal Decree-Law includes other amendments as well. In accordance with the Decree, the amendments are effective from 14th October 2022.

Extension of temporary suspension on Ferrous scrap and wastepaper

The Dubai Customs has extended the temporary suspension of Export of ferrous scrap and wastepaper vide Customs Notice No. (08/2022).

The export of ferrous scrap and paper waste under certain HS codes have been prohibited till 19 March 2023.

Extension of Increased Import Duty on rebar and wire rod

The increased import duty of 10% will continue to be applicable on rebar and Wire rod as per Customs Notice No. (10/2022) issued on 20 October 2022.

Introduction of anti-dumping duty on GCC import of electric accumulators

The Dubai Customs vide Customs Notice No. (09/2022) has imposed definite anti-dumping duty on GCC imports of electric accumulators of kind used for starting piston engines between 32 to 225 amps, falling under HS code 85071000 and originating in or exported from Turkey and India.

The percentage to calculate duty has also been mentioned in the notice, which will apply for a period of 5 years effective from 1 October 2022.

Introduction of statutory criteria to determine tax residency for natural and legal persons

As per informal information available as on date, the UAE government vide cabinet resolution No. 85 of 2022 has issued guidelines to determine tax residency in the UAE for natural and legal persons. This regulation will be effective from 1 March 2023 and yet to be published in official gazette.

As per the regulation,

- a **legal person** would be considered a tax resident in the UAE if it was established, formed, or registered in accordance with the legislation in force in the UAE. However, it does not include the branch of a foreign legal entity.
- A natural person is considered a tax resident in the UAE if
 - his usual or principal place of residence, the center of financial and personal interests is in the UAE or meets other conditions specified by a decision of the Minister
 - he is physically present in the UAE for 183 days or more during relevant 12-month period
 - he is physically present in the UAE for 90 days or more, during 12-month period and has a permanent place of residence and does job or business in the UAE

We shall post detailed implications once the Regulation is published in the official gazettee.

New tax treaty between the UAE and the Czech Republic to be Signed

On 19 October 2022, the Czech government approved signing a new income tax treaty with the United Arab Emirates.

A new tax treaty between the two countries will replace the 1996 tax treaty once it is finalized, signed, and ratified.

UAE Cabinet approves the pending Kuwait Tax Treaty

On 10 October 2022, the United Arab Emirates Cabinet approved the pending income tax treaty with Kuwait.

This is the first treaty of its kind between the two countries, and it will go into effect after ratification instruments are exchanged.

Gabon Ratifies Pending Tax Treaty with the UAE

On 16 October 2022, Gabon published the law for the ratification of the pending income tax treaty with the UAE. The treaty, signed 1 March 2019, is the first of its kind between the two countries.

It also inducted a new Article 31, which is as under:

“New Article 31 : Each of the Contracting States shall notify each other in writing of the completion of its constitutional procedures for the entry into force of this Agreement. This Agreement shall enter into force on the date of receipt of the last notification. Its provisions are applicable in both Contracting States:

- a) in respect of taxes withheld at source, to taxes paid or credited from 1 January of the calendar year following that during which the instruments of ratification are exchanged;
- b) with respect to other taxes, for tax periods beginning on or after January 1 of the calendar year following that in which the instruments of ratification will be exchanged. "





Sultanate of Oman

Amendments to the VAT Executive Regulations

The Oman Tax Authority (OTA) has issued Decision No 456/2022 (Decision) in Arabic to amend certain provisions of the Oman Value Added Tax Executive Regulations (VAT Executive

Kingdom of Bahrain

Economic Substance (ES) return for FY 2021 to be filed by 11th November 2022

The Ministry of Industry and Commerce (MOIC), has urged all entities regulated by MOIC that conducts the relevant activities for ES purpose to file the ESR for FY 2021 by 11th November 2022 on ITIES in adhere with the reporting requirements.

Companies that fail to comply with the filing reporting window will be subject to the violations and sanctions mentioned in (MO 106) regarding the Economic Substance, which includes suspension of the commercial registration, crossing off the commercial registration, fines, and referral to Public Prosecution.

Digital Stamps Scheme for waterpipe tobacco "molasses" products introduced by NBR

The National Bureau for Revenue (NBR) of Kingdom of Bahrain announced the expansion of the Digital Stamps Scheme to include waterpipe tobacco "molasses" products. Through digital stamps, excise goods can be tracked from the manufacturing stage to the consumption stage, which protects consumers from counterfeits.

It has clarified that the implementation of the Digital Stamps Scheme does not affect the price of the products unless the manufacturer or importer chooses to change the price.

There are three milestones of implementing the scheme on waterpipe tobacco "molasses" products.

1. 20th November 2022: Receiving waterpipe tobacco "molasses" Digital Stamps orders milestone
2. 19th March 2023: Imported waterpipe tobacco "molasses" products implementation milestone
3. 18th June 2023: Local markets waterpipe tobacco "molasses" implementation milestone

By June 18, 2023, any waterpipe tobacco "molasses" product without a digital stamp will be returned through the relevant supply chain to be destroyed or moved for sale outside the Kingdom of Bahrain.

In case of noncompliance with Digital Stamps Scheme requirements, NBR may impose administrative penalties or file a criminal case for Excise evasion.

Kuwait

Pending Protocol to Tax Treaty with Luxembourg approved

On 26 September 2022, the Kuwait Council of Ministers approved the ratification of the pending protocol to the 2007 tax treaty with Luxembourg.

Protocol to the Kuwait-Switzerland Tax Treaty has been approved

The Council of Ministers of Kuwait approved Kuwait-Switzerland Income and Capital Tax Treaty (1999) on 26 September 2022.

Qatar

National Assembly of the Democratic Republic of the Congo Approves Pending Tax Treaty with Qatar

The National Assembly of the Democratic Republic of the Congo approved the ratification of the pending income tax treaty with Qatar on 28 September 2022.

The treaty, signed 29 March 2021, is the first of its kind between the two countries and 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

OECD publishes Guidance on the Implementation of CbC Reporting

In October 2022, the OECD has published an updated version of its Guidance on the Implementation of CbC Reporting.

The latest version of the guidance, which is available in English and French, includes:-

- new guidance concerning positive and negative figures in completing Table 1,
- reporting permanent establishment information,
- reporting short accounting periods / long accounting periods.

In addition to the above, the updated guidance also includes several new examples on the inclusion of information in the CbC report for constituent entities with different year-ends and accounting period lengths.

OECD announces new Transparency Framework for Crypto-Assets

On 10 October 2022, the OECD delivered a new global tax transparency framework to provide for the reporting and exchange of information with respect to crypto-assets.

The Crypto-Asset Reporting Framework (CARF) responds to a G20 request that the OECD develop a framework for the automatic exchange of information between countries on crypto-assets.

CARF provides for the reporting of tax information on transactions in Crypto-Assets in a standardised manner, with a view to automatically exchanging such information. The CARF defines the Relevant Crypto-Assets in scope and the intermediaries and other service providers that will be subject to reporting.

In doing so, the CARF incorporates recent developments in the global anti-money laundering standards of the Financial Action Task Force. In line with the CRS, the due diligence procedures require the identification of both individual and Entity customers, as well as their Controlling Persons.

The CARF requires reporting on an aggregate basis, divided by type of Crypto-Asset and type of transaction.



14th meeting of the OECD/G20 Inclusive Framework on BEPS

The 14th Meeting of the OECD/G20 Inclusive Framework on BEPS took place on 6 and 7 October 2022 at the OECD Conference Centre in Paris. It drew delegates from over 135 countries and jurisdictions of the Inclusive Framework.

The following matters inter-alia were discussed during the meeting:

Significant progress is being made towards implementing the two-pillar International Tax reform

The Inclusive Framework will aim to finalise a new Multilateral Convention for implementation of Pillar One by mid-2023, for entry into force in 2024.

Inviting public input on the Progress Report on the Administration and Tax Certainty Aspects of Amount A of Pillar One

The progress report is a consultation document released by the OECD Secretariat for the purposes of obtaining further input from stakeholders on the administration and tax certainty aspects of Amount A.

Interested parties to send their comments on the draft before 11 November 2022, Friday.

China

Consumption tax on e-cigarettes from November 2022

China's Ministry of Finance to impose a consumption tax on e-cigarettes sold in China from Nov 1.

Tax rate of 36% will be placed on the productions or import of e-cigarettes and 11% on the wholesale distribution of e-cigarettes.

Tax Reliefs for High Technology Enterprises and Preferential tax policies for enterprises that invest in basic research

China's Ministry of Finance, State Administration of Taxation, and Ministry of Science and Technology have jointly issued Announcement No. 28 of 2022 on increased tax reliefs for high technology enterprises. High technology enterprises are allowed to claim a super-deduction of 100% for equipment purchased in last three months of 2022.

In addition, the super-deduction of 75% for R&D activities currently enjoyed by enterprises is increased to 100% in the period from 1 October to 31 December 2022.

Further, as per Announcement No. 32 of 2022 an additional 100% deduction can be claimed for expenditure incurred by enterprises for the funding of non-profit scientific and technological research and development institutions, institutions of higher learning (universities), and government natural science foundations for basic research.

Also, the income (funding) received by non-profit scientific and technological research and development institutions and institutions of higher learning from enterprises, individuals, and other organizations is exempt from corporate income tax.



France & Germany

Germany and France to move ahead and implement Pillar Two global minimum tax if EU fails to reach an agreement

On 19 October 2022, following the 52nd meeting of the Franco-German Economic and Financial Council (CEFFA), the French Finance Minister Bruno Le Maire announced that if an agreement is not reached at the level of the EU before year's end, Germany and France will introduce the Pillar Two - Global Minimum Tax through national legislation.

India

Increases Windfall Tax on Domestic Oil Production

On 16 October 2022, India's Central Board of Indirect Tax and Customs (CBITC) vide notification 34/2022 increased the Special Additional Excise Duty on domestic production of crude oil from INR 8,000 to INR 11000 per ton and on aviation fuel from Nil to INR 3.5 per litre.

The CBITC has issued Notification 35/2022 on an increase in the windfall tax on diesel from INR 3.5 per litre to INR 10.5 per litre with effect from 16 October 2022.

Russia

Advertising services provided to non-residents are not subject to VAT

On 29 August 2022, the Russian Ministry of Finance published guidance letter No. 03-07-08/83982 on VAT obligations in relation to the rendering of advertising services by a Russian organization to non-residents in Canada and the United States.

It is clarified in the guidance letter that Russia is not recognized as the place of supply for advertising services provided by a Russian organization, if the buyer of such services are residents of Canada and the United States, such services are not subject to VAT in Russia.

Singapore

New and updated e-tax guides on taxation of insurers and entities adopting certain financial reporting standards

On 21 October 2022, Inland Revenue Authority of Singapore has published updated e-Tax guides regarding changes in the taxation of entities and insurers following the adoption of certain financial reporting standards (FRS).

Income Tax Treatment arising from adoption of FRS 109

This e-Tax Guide provides guidance on the tax treatment for entities adopting FRS 109 for recognizing, classifying, and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items.

Income Tax Treatment arising from adoption of FRS 117

This e-Tax Guide is relevant to all insurers for financial years beginning on or after 1 Jan 2023. It also explains the tax treatment of insurers arising from changes made to Risk-Based Capital Framework.



United Kingdom

UK Updates Synthesized Text of Tax Treaty with India as Impacted by the BEPS MLI

On 12 October 2022, UK HMRC has published an updated version of the synthesized text of the 1993 tax treaty with India as impacted by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).

The update includes Section (2)(bb)(ii) in Article 13 (**Royalties and Fees for Technical Services**), which was previously excluded from the synthesized text. A 20% withholding tax rate is generally applied for the first five years for royalties paid in exchange for copyrights, patents, trademarks, and certain technical services under the treaty, although 15% is applied if the payer is the government of a Contacting State. After 5 years, Section(2)(bb)(ii) provides that the rate is 15% in general.

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
- Merges & 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

Group Companies

- Emirates International Chartered Accountants Co. (Registered Tax Agency)
- United Auditing (Affiliated to IECnet)
- ECA Taxation
- Emirates CA Consultancy WLL
- ECAG LTD
- MECA & Associates



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