



# Tax '22

September

# Updates

# Tax updates

## 2022 September Edition

Hello Readers,

Channelising our energy and moving forward together we bring to you the September edition of our Tax Updates. We are very delighted to be sending out this newsletter as we start the festival of lights.

There are rumours across the globe that the economy shall be facing another recession. Rumours are carried by haters, spread by fools, and accepted by idiots. We understand that every challenge, every adversity, contains within it the seeds of opportunity and growth.

With the pandemic seemingly in retreat, and more getting back to normal here in the United Arab Emirates [UAE], it feels like optimism is in the air! And there is a lot to be optimistic about.

We highly anticipate the Corporate Tax Law to be released. Businesses in the UAE have started prepping to analyze the implication and getting ready to adopt necessary compliances. UAE has been progressing towards an effective compliance regime so that businesses can inculcate necessary compliances laterally, vertically, and horizontally with a holistic approach. It is well said *“If you’re not moving forward, you’re falling back and if we fail to adapt, we fail to move forward.”*

My greetings to the editorial board for keeping up with our monthly series of Tax Updates and would like to applaud the coordination and efforts. Happy Reading!

**CA. Manu Palerichal**  
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# United Arab Emirates

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## **Introduction of 100% digital VAT Refund Scheme for tourists.**

At the joint press conference held by Federal Tax Authority and Planet Tax Free, on 14 September 2022, 100% digital VAT-refund scheme for tourists was launched.

The new paperless approach shall use an entirely digital platform that integrates with registered retail merchant's systems. Customers can simply scan their passport, complete their purchase and their transactions are automatically shared as a digital invoice with Planet Tax Free. Customers can also view their invoices by accessing the easy-to-view shopper portal. This ensures tourist tax-free shopping experiences are seamless, fast and digital.

## **Public Clarification on Calculation of financial guarantees for excise tax Designated Zones**

The Federal Tax Authority has issued a public clarification on the Financial Guarantee (FG) to be given by the warehouse keeper on account of the registered Designated Zones.

The Clarification which comes into effect from 01 September 2022, acknowledges warehouse keepers with good governance of tax affairs and a risk-based approach will be followed in determining the financial guarantee.

The clarification also outlines the steps in calculating the guarantee amount, with the minimum FG being AED 175000 and capped at AED 25 million, provided certain conditions are met.

## **Customers can now pay government services fees using the various payment methods**

Government entities have started to accept international payment methods to pay for government services with ease, including credit cards, debit cards, e-wallets (Samsung Pay and Apple Pay) and bank transfers.

The Ministry of Finance stated that by 30 November 2022, the use of eDirham platform as a method for their service fees will be stopped.

## **Integrated database for free zones and Unified database for company registrars**

As per the measures outlined at seventh meeting of the Economic Integration Committee this year, the UAE is considering the 'possibility' of integrating free zone licenses in the country with the Emirates' Departments of Economic Development.

Creating an integrated database for the operation of these free zones could help with exchange of expertise among free zones and the economic departments.

Unified database is for company registrars of private sector enterprises, which would boost the UAE's Anti-Money Laundering (AML) and combating the financing of terrorism regimes. This may result in transparency on the 'Ultimate Beneficial Owner'.

A team has also been formed to oversee the impact of implementing a corporate tax when it comes to federal fees.



## Sultanate of Oman

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### VAT Guide on E-Commerce

Oman Tax Authority during last week of August issued a VAT Guide on E-Commerce to provide guidance on how VAT affects businesses which operate within the e-commerce sector.

The Guide discusses various general aspects of VAT applicable to most businesses, including to e-commerce business, such as VAT registration requirements, place of supply rules for goods and services, reverse charge mechanism ('RCM'), input tax recovery and record keeping requirements.

Taxable persons in the e-commerce business or those who are acting as an intermediary providing an online platform for the supply of goods and services need to define the tax points of their business in light of the recent guidelines.

### Tax Treaty between Kazakhstan and Oman to be Signed

Kazakhstan's Ministry of Finance has published a [draft resolution](#) that authorizes the signing of a draft income tax treaty with Oman.

The treaty will be the first of its kind between the two countries and must be finalized, signed, and ratified before entering into force.

## Kingdom of Bahrain

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### The NBR urges preparation for the Digital Stamps Scheme implementation phase on cigarette products in the local market

The National Bureau for Revenue (NBR) confirmed that as of October 16, 2022, the final phase of the Digital Stamps Scheme will be applied to cigarette products in implementing the decision of the NBR's Chief Executive No. (3) for the year 2022, where all cigarette products available for sale, trading, supply, or possession in local markets must have digital stamps.

The NBR encourages all importers and traders in the local market to deal in appropriate quantities and to avoid the storage of large quantities of cigarette products without digital stamps in order to be cleared prior to the last phase goes into effect by October 16, 2022, where the sale, circulation, possession or supply of cigarettes without the Digital Stamps in local market will be prohibited.

## Kuwait

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### Amending Protocol to Tax Treaty between Kuwait and Tajikistan Signed

On 19 September 2022, the third meeting of the joint intergovernmental commission of Tajikistan and Kuwait on economic, trade, scientific and technical cooperation was held. The bilateral documents that play an important role in the development of relations were signed, including:

- Memorandum of Understanding between the Tajik-Kuwaiti aviation authorities, which makes it possible to start regular flights along the routes of the capitals of both countries.
- Protocol on Amendments and Additions to the Agreement on the Prevention of Double Taxation between the Republic of Tajikistan and the Kuwaiti State.

## Qatar

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### Czech Republic Approves and ratifies the pending Tax Treaty with Qatar

On 8 September 2022, the Czech Chamber of Deputies approved the bill for the ratification of the pending income tax treaty with Qatar.

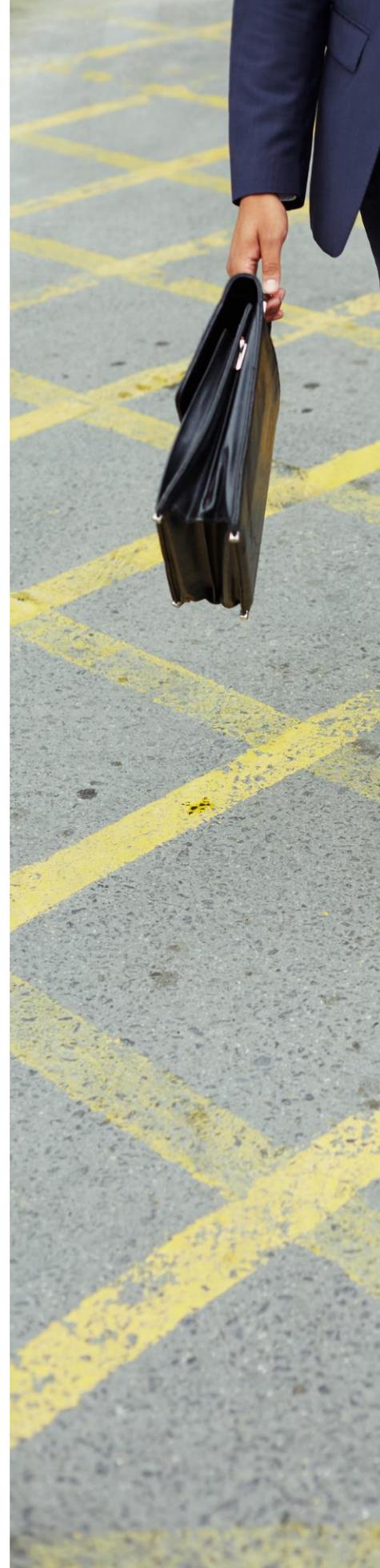
On 19 September 2022, Czech President Milos Zeman signed the law for the ratification of the pending income tax treaty with Qatar.

It will enter into force once the ratification instruments are exchanged and will apply from 1 January of the year following its entry into force.

### Tax Treaty between Qatar and Switzerland to be Revised

On 5 September 2022, the officials from Qatar and Switzerland discussed bilateral relations, including the revision of the 2009 tax treaty between the two countries.

Any revisions, likely in the form of an amending protocol, must be finalized, signed, and ratified before entering into force.



# Certain Other Jurisdictions

## OECD

### OECD Releases new peer review assessments in context of making tax dispute resolution more effective

On September 2022, the OECD released the Stage 2 peer review monitoring report on improvement of tax-related dispute resolution (committed as per BEPS Action 14) for Aruba, Bahrain, Barbados, Gibraltar, Greenland, Kazakhstan, Oman, Qatar, Saint Kitts and Nevis, Thailand, Trinidad and Tobago, United Arab Emirates and Viet Nam.

These reports evaluate the progress made by these 13 jurisdictions in implementing any recommendations resulting from their Stage 1 peer review.

They take into account any developments in the period 1 January 2020 – 31 October 2021 and build on the Mutual Agreement Procedure (MAP) statistics for 2016-2020.

The results from the peer review and peer monitoring process demonstrate positive changes across all 13 jurisdictions, although not all show the same level of progress.

### 14<sup>th</sup> meeting of the OECD/G20 Inclusive Framework on BEPS

The 14<sup>th</sup> Meeting of the OECD/G20 Inclusive Framework on BEPS will take place from 6 to 7 October 2022 at the OECD Conference Centre in Paris.

Certain sessions of the plenary meeting will be available for the public to **watch online** on the afternoon of **Thursday 6 October**, allowing a glimpse into the various international tax-related work streams undertaken by the over 135 member countries and jurisdictions of the Inclusive Framework.

The public sessions will consider critical issues being addressed by governments around the world such as climate change and the global energy crisis, fighting offshore tax evasion and avoidance, capacity building for developing countries and the future of tax administration and digitalisation.

This will also be the last Inclusive Framework meeting of Pascal Saint-Amans, the outgoing Director of the OECD Centre for Tax Policy and Administration.

This meeting will be broadcast live on OECD WebTV in English.



## China

### Extending Tax Payment Deferral for Manufacturing SMEs and Expediting VAT Refunds

On 13 September 2022, China's State Council decided to extend the tax payment deferral for manufacturing SMEs by providing a further 4-month deferral from 1 September 2022. China's Ministry of Finance and State Administration of Taxation jointly issued Announcement No. 17 of 2022 on 14 September in this regard.

The State Council also decided to expedite the refund of VAT input credits for the manufacturing industry, providing that credits will be refunded immediately after application, with an average receipt time of 2 working days.

Where deferred tax was already paid after 1 September 2022 and before the publication of the Announcement (14 September), a refund may be requested. After the 4-month deferral expires, the taxes and fees will become due, although taxpayers may apply for a further deferral under standard procedures.

### BEPS MLI in force for China, Hong Kong and Senegal

The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) entered into force for China, Hong Kong, and Senegal on 1 September 2022.

The MLI is generally effective from 1 January 2023 in respect of withholding taxes and for taxable periods beginning on or after 1 March 2023 in respect of other taxes.

However, Hong Kong has taken the reservation that the MLI will not be effective until additional internal procedures have been completed for each covered agreement and notification on the completion of the procedures is deposited.

### Singapore and Austria Publishes Synthesized Text of Tax Treaty with China as Impacted by BEPS MLI

The Inland Revenue Authority of Singapore (IRAS) has published the impact of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) for the 2007 income tax treaty with China. Rather than including the MLI impacts directly within the text of the treaty as some countries have done (so-called synthesized texts), the impacts are provided in a new Annex A to the treaty.

Also, Austria's Ministry of Finance has published the synthesized text of the tax treaty with China as impacted by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). The synthesized text has been prepared based on the reservations and notifications (MLI positions) submitted by the respective countries.

# Germany

## German Federal Cabinet Approves Legislation to Reduce VAT on Natural Gas, Adjust Individual Income Tax Brackets, Repeal German-nexus IP Rules, and More

On 14 September 2022, the German Federal Cabinet approved several pieces of draft legislation, including the following as announced by the Minister of Finance:

- the draft Act to temporarily lower the sales tax rate on gas deliveries via the natural gas network, which reduces the VAT rate on natural gas to 7% from 1 October 2022 to 31 March 2024;
- the draft Act to compensate for inflation through a fair income tax rate and to adapt other tax regulations, which amends the individual income tax brackets for 2023 and 2024 and increases child allowances; and
- the draft Annual Tax Act 2022, which contains various measures, including the repeal of the controversial rules regarding the taxation of the transfer of intellectual property (IP) rights registered in German registers (German-nexus IP).

# India

## Revised Guidelines for Compounding of Offences under the Income Tax Act, 1961

On 16.09.2022, CBDT issued revised Guidelines with reference to various offences covered under the prosecution provisions of the Act.

Some of the major changes for the benefit of taxpayers include:

- Offence under Section 276 is compoundable
- Scope of eligibility for compounding of cases has been increased whereby an applicant who has been convicted with imprisonment for less than 2 years being previously non-compoundable, has now been made compoundable.
- Time limit for acceptance of compounding application has been extended to 36 months from the date of filing of complaint.
- compounding charges in the nature of penal interest @ 2% per month up to 3 months and 3% per month beyond 3 months have been reduced to 1% and 2% respectively

## Russia

### Switzerland Suspends Tax Information Exchange with Russia

On 16 September 2022, the Swiss Federal Council decided to suspend the exchange of tax information with Russia. The suspension is based on the public order reservation provided for in the Convention on Mutual Administrative Assistance in Tax Matters.

### Russia reduces Key Interest Rate to 7.5% Impacting Controlled Debt Rules and Interest Penalties

On 16 September 2022, the Bank of Russia Board of Directors decided to cut the key rate by 50 basis points to 7.50% per annum.

For tax purposes, the key rate is important in relation to the safe harbor rates for interest income and expense on controlled debt.

The key rate also impacts interest penalties, which are adjusted along with the adjusted key rate. For corporate taxpayers, the interest penalty is equal to 1/300 of the key rate per day of delay where the delay does not exceed 30 calendar days. Where the delay exceeds 30 days, the interest penalty is equal to 1/150 of the key rate beginning from the 31st day of delay.

## Singapore

### Updates e-Tax Guide and FAQ on Upcoming GST Rate Change

As announced in the 2022 budget, the Inland Revenue Authority of Singapore (IRAS) has published guidance on the upcoming changes in the GST rate, which includes an increase in the GST rate from 7% to 8% from 1 January 2023 and to 9% from 1 January 2024.

# United Kingdom

## HMRC Updates Double Taxation Treaty Passport Scheme Register

On 30 August 2022, the Double Taxation Treaty Passport Scheme register was updated with 79 additions. The register shows details of companies registered for the Double Taxation Treaty Passport Scheme, which helps UK corporate borrowers to verify a passport holder's status.

The scheme provides for double taxation relief on UK loan interest payments made by a UK corporate borrower to an overseas corporate lender where the lender is resident in a country that has a tax treaty with the UK and the loan meets all conditions for relief under the relevant tax treaty.

# United States of America

## Idaho Approves Further Tax Rate Reductions for Individuals and Companies

On 1 September 2022, the Governor of the U.S. State of Idaho signed House Bill No. 1, which contains certain tax relief measures in addition to those approved earlier in the year.

One of the main measures is a reduction in the corporate tax rate from 6.0% to 5.8% with effect from 3 January 2023. Earlier in the year, the corporate tax rate was reduced from 6.5% to 6.0% with retroactive effect from 1 January 2022.

Further, the individual income tax is changed to a flat rate of 5.8% on taxable income exceeding USD 2,500 (USD 5,000 for joint filers) with effect from 3 January 2023. Earlier in the year, the individual income tax brackets were consolidated from five brackets to four, with rates of 1.0%, 3.0%, 4.5%, and 6.0% with retroactive effect from 1 January 2022.



# Our

# Services

## 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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