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Tax Updates

September 21’

Tax *updates*

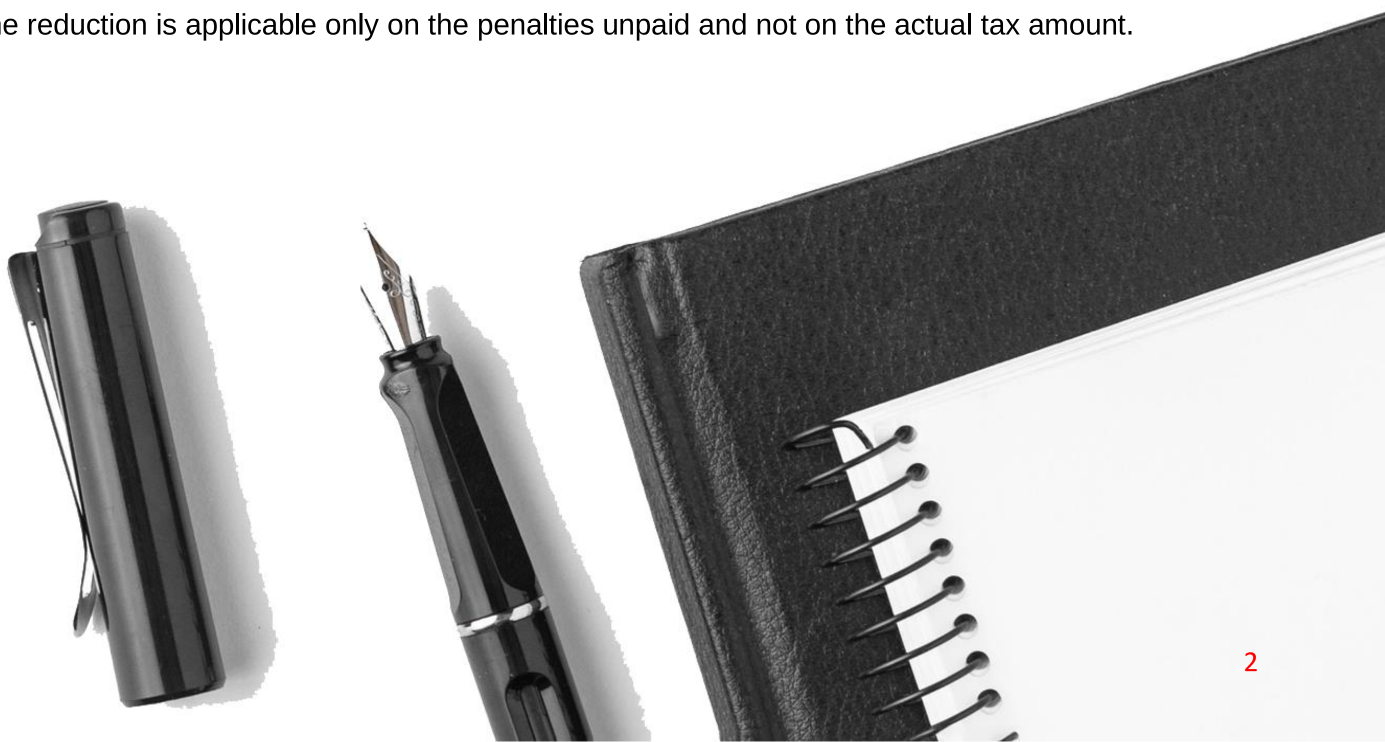
2021 September Edition

United Arab Emirates

Redetermination of Administrative Penalties Levied Prior to the Effective Date of Cabinet Decision No. 49 of 2021

Federal Tax Authority has issued guidance on the conditions for availing benefit from the redetermination of tax penalties and method to avail such benefit. The redetermination is subject to fulfillment of certain conditions, briefly summarized hereunder:

- Applicable only to those administrative penalties imposed prior to 28 June 2021 and which were not settled until 27 June 2021;
- The registrant should pay all the due taxes and 30% of the total unsettled administrative penalties imposed prior to 28th June 2021, by 31st December 2021;
- The scheme will not be applicable to the penalties settled prior to 28th June 2021;
- The reduction is applicable only on the penalties unpaid and not on the actual tax amount.



Open Data Policy of Federal Tax Authority

The Federal tax authority has adopted open data policy through which the activities and services provided by the authority through its website are disclosed.

Accordingly, the FTA has disclosed the data related to Quality policy and objectives, FTA Enterprise Risk Management Policy, Approved VAT Registrations, Tax Group Registrations, Approved Excise Registrations, Approved VAT Registrations through Tax Agents, Home Builders Requests, Inquires (Call Center-Emails) etc.

Turnover declaration letter format includes out of scope supplies.

The Federal Tax Authority has revised the format for providing Turnover Declaration at the time of registration and deregistration. According to the new format available on the FTA website, applicant must disclose the standard rate sales, zero rated sales, sales out of scope and taxable expenses from 2018 till date.

In case of newly registered entity or where there are no transactions during any prior period, then the amount of supply can be given as nil or zero in respect of that particular period.

FTA Adopts New design for 'Digital Tax Stamps'

The Federal Tax Authority has announced the adoption of new features for 'Digital Tax Stamps' to be placed on packaging of cigarettes, electrically heated cigarettes, and Waterpipe Tobacco vide Decision No. 3 of 2021.

Orders for the first category of stamps, where the red design will be placed on packaging of all types of cigarettes and purple design on electrically heated cigarettes and waterpipe tobacco authorized for trade in local markets and arrival halls at airports, will be open for orders from October 1, 2021.

The second category will be open for orders as of January 1, 2022, where the green design would be placed on the packaging of cigarettes and blue design on electrically heated cigarettes and waterpipe tobacco authorized for trade in duty-free shops in departure halls at airports.

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FEDERAL TAX AUTHORITY

Emirates Maritime Arbitration Centre and DIFC Arbitration Institute Merge into Dubai International Arbitration Centre

In an announcement made on 18 September 2021 by His Highness Sheikh Mohammed bin Rashid Al Maktoum, the Emirates Maritime Arbitration Centre and the Dubai International Financial Centre Arbitration Institute are to be dissolved and their operations and assets merged into the Dubai International Arbitration Centre ('DIAC').

Decree No. (34) of 2021 shall replace Decree No. (10) of 2004, relating to the establishment of the DIAC.

The salient points of Decree No (34) of 2021 are as follows:

- The DIAC must comply with the new Decree within six months of its effective date;
- The new objectives, functions and organisational structure of the DIAC will consist of three levels:
  - **The Board of Directors** - to be established by His Highness Sheikh Mohammed bin Rashid Al Maktoum
  - **An Arbitration Court** - consisting of 13 members, including a President and Vice President. The new members will be appointed by the DIAC Board of Directors, to serve for a maximum term of four year
  - **The Administrative Unit** of the Centre;
- All matters belonging to the two dissolved Arbitration Centers will be transferred to DIAC, including, the membership base, staff, funds, assets and financial allocations; and
- There will be no disruption to any ongoing arbitration matters.

New Tax Treaty between Egypt and the UAE has Entered into Force

According to an update from the UAE Ministry of Finance, the new income tax treaty with Egypt entered into force on 19 April 2021. The treaty, signed 14 November 2019, replaces the 1994 tax treaty between the two countries.

The Withholding Tax Rates as per the new Treaty is as under:

- **Dividends** - 5% if the beneficial owner is a company that has directly held at least 10% of the paying company's capital throughout a 365-day period that includes the day of the payment of the dividend; otherwise 10%.
- **Interest** - 10%
- **Royalties** - 10%
- When recipient is government/its political sub-divisions/central bank/state controlled Financial institutions of one of the contracting states - **Exempt**

The treaty applies from 1 January 2022. The 1994 tax treaty between Egypt and the UAE will terminate and cease to have effect from that date.

Ukraine Approves Pending Protocol to Tax Treaty with the UAE

On 8 September 2021, the Ukraine parliament approved the ratification of the pending protocol to the 2003 income and capital tax treaty with the United Arab Emirates.

The protocol, signed 14 February 2021, is the first to amend the treaty and as well as amendments to the treaty and includes changes to bring the treaty in line with OECD BEPS standards, as well as amendments to the withholding tax provisions for dividends, interest, and royalties, and other changes.

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

The Czech Republic and the UAE Negotiating New Tax Treaty

Officials from the Czech Republic and the UAE are scheduled to meet from 21 to 23 September 2021 for the first round of negotiations for a new income tax treaty.

The new treaty must be finalized, signed, and ratified before entering into force and, once in force and effective, will replace the 1996 tax treaty between the two countries.

Dubai Integrated Economic Zones created to function as independent legal entity

Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, issued a Law No. (16) of 2021 to create Dubai Integrated Economic Zones (DIEZ) Authority, an independent legal entity with financial and administrative autonomy.

Dubai Airport Free Zone, Dubai Silicon Oasis and Dubai Commerce City will now operate under the supervision of the newly created DIEZ.

Companies and individuals licensed in the zones under its jurisdiction are exempted from all taxes, including income tax, for 50 years, effective from the date of the new law.

All subsidiaries of DIEZ and companies or individuals licensed by the authority are exempted from restrictions on repatriation of capital, profits and salaries in any currency and to any destination outside its zones.

This exemption is valid for 50 years, renewable for a similar period by a decision issued by the Dubai Ruler. Furthermore, the funds of licensed companies and their employees will not be subject to nationalisation or restricted ownership.

Kingdom of Bahrain

Bahrain to double VAT as economy recovers from pandemic

As reported by Bloomberg, Bahrain is in the move to double value-added tax to 10% in an effort to boost revenues and curb budget deficits as the economy begins to recover from the pandemic.

The Gulf country decided to raise VAT following a comprehensive spending and revenue review.

Kingdom of Saudi Arabia

Kingdom of Saudi Arabia - ZATCA issues CRS guidelines

The Zakat, Tax and Custom Authority (“ZATCA”) has issued Guidance Notes in relation to the Common Reporting Standard (“CRS”) on 15 April 2021 which clarify the obligations of Reporting KSA Financial Institutions (“FIs”).

The Common Reporting Standard ("CRS") applies to certain Financial Institutions which are located in the Kingdom of Saudi Arabia ("KSA"). Reporting KSA Financial Institutions must undertake a comprehensive review of their existing Financial Accounts to identify the status and tax residency of Account Holders, either directly or indirectly (i.e., via entities). Going forward, Reporting KSA Financial Institutions must also identify the tax residency and status of Account Holders before onboarding when opening new Financial Accounts.

The purpose of the CRS Guidance Notes is to assist entities within KSA in practically assessing their obligations under the CRS. Also, to assist Reporting KSA FIs in the implementation of the Standard for the Automatic Exchange of Financial Account Information in Tax Matters to increase compliance avoid penalties and sanctions that can arise from instances of non-compliance to the CRS.

Kingdom of Saudi Arabia: E-Commerce VAT Guide

The Zakat, Tax and Customs Authority (“ZATCA”) published a guide on E-Commerce in August 2021 which explains the VAT implications for businesses operating within the e-commerce sector.

The guide discusses various general aspects of VAT, applicable to most businesses including 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.

In addition to the general VAT provisions, specific e-commerce related VAT considerations have been discussed in details, such as supplies made through agents (intermediary) acting as disclosed or undisclosed agents, returned goods, ground transportation services and smart transportation applications, data center, etc.

Qatar

Protocol to Tax Treaty between China and Qatar has Entered into Force

China's State Tax Administration has announced that the amending protocol to the 2001 income tax treaty between China and Qatar entered into force on 24 August 2021.

The protocol, signed 11 March 2021, provides that an enterprise of a Contracting State obtaining income from the operation of aircraft in international traffic in the other Contracting State shall be exempt from Value Added Tax in that other Contracting State.

The protocol is effective for income received on or after 1 April 2021.

Qatar Provides Further 2020 Tax Return Extension for Exempt Entities

Qatar's General Tax Authority announced on 30 August 2021 that an additional four-month extension is being provided for the submission of tax returns for 2020 for entities owned by individuals resident in Qatar and GCC states.

Previously extended to 31 August 2021 for entities following the calendar year, the deadline is now extended to 31 December 2021.

Amending Protocol to Tax Treaty between Qatar and Ukraine Signed

The Ukraine government has announced the signing of an amending protocol to the 2018 income tax treaty with Qatar on 2 September 2021.

The protocol is the first to amend the treaty and includes updates to Articles 25 (Mutual Agreement Procedure) and 26 (Exchange of Information), as well as a new Article 28 (Entitlement to Benefits).

The protocol will enter into force after the ratification instruments are exchanged.

Sultanate of Oman

Slovak Republic Ratifies Pending Tax Treaty with Sultanate of Oman

On 24 August 2021, Slovak Republic President Zuzana Čaputová ratified the pending income tax treaty with Sultanate of Oman.

The treaty, signed 25 March 2018, is the first of its kind between the two countries.

It will enter into force 60 days after the ratification instruments are exchanged and will apply from 1 January of the year following its entry into force.

Kuwait

Kuwait intends to impose personal income tax

As reported by the local newspaper Al Nahar, Kuwait's ruler said in comments that the Gulf Arab oil exporter would eventually have to impose taxes on personal income but gave no timeframe.

"The service provided to nationals comes at a very high cost which can be shouldered by the state for some time but not all the time. There will come a day when the state will find itself obliged to impose taxes," Emir Shaikh Sabah Al Ahmad Al Sabah told local newspaper Al Nahar in an interview.

"No doubt the situations of people with low income will be taken into consideration," said Shaikh Sabah in the interview picked up by news agency KUNA.

Certain Other Jurisdictions

OECD

New Model Manual published on exchange of information for tax purposes

On 16 September 2021, the OECD announced the publication of a new version of the Model Manual to support tax authorities in relation to the exchange of information for tax purposes. The new version of the manual was jointly published by the Global Forum on Transparency and Exchange of Information for Tax Purposes, the World Bank Group, and the African Development Bank.

The previous version of the model manual that was issued in 2013 covered the exchange of information on request and the spontaneous exchange of information.

The new edition includes coverage of a broader range of exchange of information tools, such as simultaneous tax examinations by two or more jurisdictions and tax examinations carried out abroad.

IGF Releases Draft Practice Note for Consultation on Tax Treaty Practice in Mining Countries

The Intergovernmental Forum on Mining, Minerals, Metals, and Sustainable Development (IGF) has announced the release of a draft practice note for consultation on tax treaty practice in mining countries. Interested parties were invited to submit feedback by 30 September 2021.

The practice note has been prepared under the IGF program to address some of the challenges developing countries are facing in raising revenue from their mining sectors.

In particular, the practice note has been written for governments of resource-rich developing countries that are considering negotiating or renegotiating a tax treaty.

The practice note covers three main areas:

- An overview of tax treaties in general, including the treaty models, renegotiating a treaty, and terminating a treaty;
- The Benefits and Costs of Tax Treaties in a Mining Context; and
- Negotiating Tax Treaties That Protect the Right to Tax Mining Income.

With respect to negotiations, the practice note highlights four main risk areas to be addressed in order to protect against the most material risks to mining revenues, with specific recommendations for each:

- Establish and retain the right to levy capital gains on indirect transfers of mining assets;
- Provide an exhaustive definition of immovable property;
- Design broad rules on a PE; and
- Retain the right to tax income from management and technical services.

In addition to managing risks through the relevant articles of a tax treaty, the practice note also provides recommendations on domestic law changes that should be made.

Egypt: New Customs Regulations Minister of Finance Decree No. 430 of 2021

Further to the introduction of the new Customs Law No. (207) of 2020 and the Minister of Finance Decree No. (38) of 2021 regulating the Advance Cargo Information ("ACI"), the (new) **Customs Regulations** to the Customs Law No. (207) of 2020 **were published on 31 August 2021** via the Minister of Finance Decree (430) of 2021.

The new Customs Regulations develop the provisions of the Customs Law, including the procedures recently introduced by the Egyptian Customs Authority to simplify and facilitate international trade and investment in Egypt.

Some of the key developments include:

The accreditation of the Approved Economic Operator ("AEO") system, which is expected to further expedite the clearance of shipments and reduce the physical inspection for AEO importers.

The ACI system (Advanced Cargo Information), which provides business automation services to handle imported goods prior to their arrival at Egyptian ports.

The introduction of a unified set of rules that includes the procedures of the customs and exemption laws in one single streamlined regulation.

The introduction of e-signature for customs transactions with the accreditation of all electronic secured methods in transferring and receiving documents and data.

India

India further extends FY 2020-21 income tax compliance deadlines

In view of the ongoing challenges faced by taxpayers and other stakeholders in electronic filing of income tax returns and certain audit reports as a consequence of updates carried out to the income tax portal, India's Central Board of Direct Taxes on 9 September 2021 issued Circular No. 17/2021 further extending various compliance deadlines under the Income-tax Act, 1961 (ITA) in respect of financial year (FY) 2020-21, corresponding to assessment year (AY) 2021-22.

The deadlines previously had been extended by Circular No. 9/2021 issued on 20 May 2021.

The FY 2020-21 compliance deadlines further extended by the circular are as follows:

Obligation	Original deadline under the ITA	Previously extended deadline	New extended deadline
Filing of income tax return	31 July 2021	30 September 2021	31 December 2021
	31 October 2021	30 November 2021	15 February 2022
	30 November 2021	31 December 2021	28 February 2022
Filing belated or revised income tax return	31 December 2021	31 January 2022	31 March 2022
Filing of audit report	30 September 2021	31 October 2021	15 January 2022
Filing of accountant's (transfer pricing) report	31 October 2021	30 November 2021	31 January 2022

The extended deadlines for filing income tax returns **do not apply to the payment of self-assessment tax** for FY 2020-21 where a taxpayer's self-assessment tax liability exceeds INR 100,000. Consequently, interest under section 234A of the ITA will apply where there is a delay in payment of self-assessment tax in such cases.

Jordan

Jordan issues Executive Instructions for Transfer Pricing regulations

The Hashemite Kingdom of Jordan (Jordan) published Regulation No. 40 for the year 2021 in its Official Gazette on June 7, 2021 (the regulation). The regulation introduced formal transfer pricing (TP) requirements in accordance with the provisions of Article 77/A of the Income Tax Law No. 34 of 2014 (the Income Tax Law) and came into effect 30 days after the date of publication in the Official Gazette.

On 16 September 2021, Jordan issued the Executive Instructions No. 3 of the year 2021 (the instructions), providing additional implementation considerations related to the regulation published earlier.

The key considerations for taxpayers in Jordan include:

- Format of the TP disclosure form to be completed and filed by the qualifying taxpayers with the tax return
- Additional requirement to submit an affidavit to be issued by a chartered accountant confirming the taxpayers' compliance with the Group TP policy and its impact on the financial statements
- Format of the Country by Country Reporting (CbCR), Local file and Master file (broadly aligned to the OECD2 TP Guidelines) and the requirement to submit these documents to the Jordan Tax Authorities within 12 months following the end of the financial year concerned

Russia

Changes in Property Tax from 2022

Russia's Federal Tax Service (FTS) recently issued a notice on property tax changes for Russian legal entities.

This includes that from the 2022 tax period, legal entities are no longer required to include information on certain property in the property tax return if the tax base for the property is the cadastral value. If an entity only has property with a cadastral value tax base, then a property tax return does not need to be submitted.

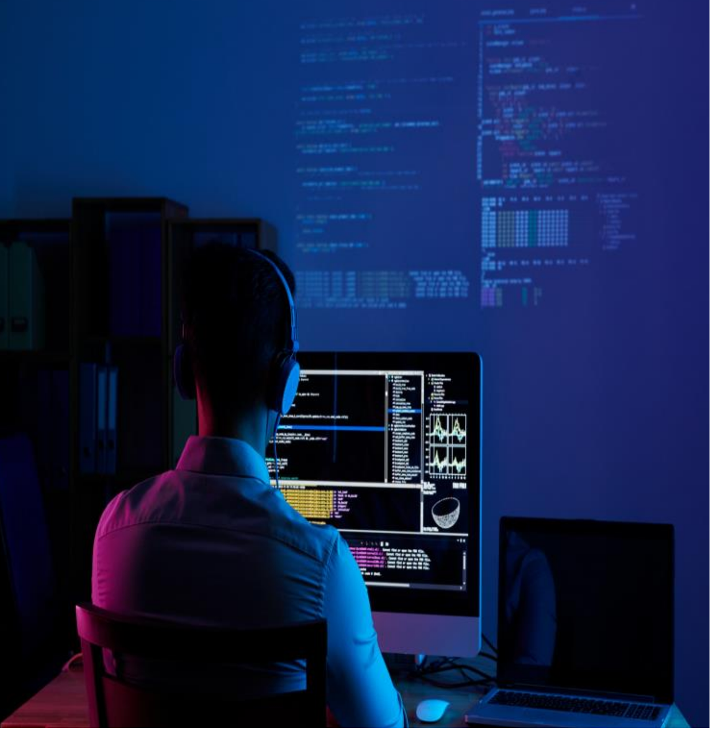
The FTS also noted that all deadlines for the payment of property tax are synchronized from 2022, with advance payments due no later than the last day of the month following the reporting period and annual payment due no later than 1 March of the year following the tax period.

Russia Issues Release on Regional Reduced Corporate Tax Rate for Intellectual Property Licensing Income

Russia's Federal Tax Service recently issued a news release on amendments to the Tax Code regarding intellectual property that were introduced by Federal Law No. 305-FZ of 2 July 2021.

This includes the addition of a new clause with effect from 2 August 2021 that allows Russian regions to establish a reduced regional corporate tax rate in relation to the income (profit) received by taxpayers from the provision of rights to use the results of intellectual property activity under a license agreement, provided that the exclusive rights belong to the taxpayer and are registered with the federal executive body for intellectual property.

Further, the taxpayer must maintain separate accounting of the income (expenses) received (incurred) in the framework of such activities carried out in the territory of the corresponding region and income (expenses) received (incurred) from other activities. The release also notes that the types of results of intellectual profit activity, the profit qualifying to be taxed at a reduced tax rate, the reduced tax rate itself, and additional conditions for the application of the reduced rate are determined by the law of the corresponding region of Russia.



Russian Government Approves Plan to Support IT Industry Including Measures for Taxation of Foreign Providers

The Russian government has announced the approval of a plan (roadmap) for a second package of measures to support the IT industry, including measures to level the playing field for multinational corporations and Russian companies doing business in Russia and to support exports and the promotion of Russian IT solutions in foreign markets.

With respect to taxation, one of the key items in the plan is the development of a proposal for amendments to the Tax Code that would provide for the taxation of incomes received by foreign companies from providing digital services to Russian citizens or using data from Russian citizens, which is to take into account approaches discussed at the OECD.

The plan also includes amendments to create a "digital residence" system for foreign companies and individuals operating in the IT field, without the need for a physical presence in Russia. Proposals for both measures are to be completed by November 2021.

In addition to the proposals for the taxation of foreign providers, the plan also includes measures to incentivize purchasing and installing domestic IT software and hardware, including increased depreciation and deductions. Proposals for these incentives are also to be completed by November 2021.

United Kingdom

UK Office for Tax Simplification ('OTS') Publishes Analysis of Potential Benefits, Costs, and Implications of Changing the Tax Year for Individuals

The UK Office for Tax Simplification has published a policy paper providing an analysis of the potential benefits, costs, and wider implications of changing the tax year for individuals to the calendar year ending 31 December or the year ending 31 March. The UK's current tax year for individuals ends on 5 April.

The OTS considers that any change would be best carried out after major projects such as the Single Customer Account have been completed. It would in any case not be feasible to change the tax year end date before the scheduled 5 April 2023 start date of Making Tax Digital for Income Tax.

While the OTS does not consider such a change should take place in the immediate future, the OTS recommends that in the short-term the government and HMRC pursue ways to formalize arrangements to allow (or even require) taxpayers to use a 31 March cut off to stand in for 5 April in respect of the calculation of profits from self-employment and from property income, ahead of the implementation of Making Tax Digital for Income Tax.

UK Treasury Consulting on Economic Crime Levy Legislation

UK HM Treasury has launched a consultation on draft legislation for a new Economic Crime Levy. The consultation deadline has been fixed as 15 October 2021.

This measure introduces the draft legislation for a new levy on the anti-money laundering (AML) regulated sector – the Economic Crime (Anti-Money Laundering) Levy, or 'ECL'.

At Budget 2020, the government announced a new levy to raise £100 million per year from the AML-regulated sector to help fund ambitious reforms outlined in the government's 2019 Economic Crime Plan.

AML-regulated entities with over £10.2 million in UK revenue will be liable to pay the levy, which will first be collected in 2023/24 (April 2023 – March 2024). The levy will be collected by the three public sector AML statutory supervisors: the Financial Conduct Authority, HM Revenue & Customs, and the Gambling Commission.

The government is now holding a technical consultation on the ECL draft legislation ahead of its inclusion in the 2021-22 Finance Bill, to ensure the legislation operates as intended.

The responses on the consultation can be sent to: eclevyconsultation@hmtreasury.gov.uk.

UK Delays Making Tax Digital for Income Tax Self-Assessment to 2024

UK HMRC issued a release on 23 September 2021 announcing that Making Tax Digital (MTD) for Income Tax Self Assessment (ITSA) requirements will be introduced in April 2024, which is a year later than previously planned in recognition of the challenges faced by many UK businesses and their representatives as the country emerges from the COVID-19 pandemic.

The MTD for ITSA requirements will apply for businesses and landlords with a business income over GBP 10,000 per annum.

The release also provides that general partnerships will not be required to join MTD for ITSA until the tax year beginning in April 2025, while the date other types of partnerships will be required to join will be confirmed in the future.

Although MTD for ITSA requirements are delayed, eligible businesses and landlords will have the opportunity to gain the benefits of MTD early by signing up to the pilot, which is already underway and will be expanded during the 2022 to 2023 tax year, ready for larger scale testing in the 2023 to 2024 tax year.

Further, the release notes that the new, fairer system of penalties for the late filing and late payment of tax for ITSA will now come into effect in the tax year beginning in April 2024 for those who are mandated for MTD for ITSA and will come into effect in the tax year beginning in April 2025 for all other ITSA taxpayers. The new penalty system was previously to apply from April 2023 for taxpayers mandated for MTD for ITSA (income over GBP 10,000 per annum) and from 2024 for other taxpayers.

For the purpose of the MTD for ITSA requirements from 2024, the Income Tax (Digital Requirements) Regulations 2021 were made and laid before the House of Commons on 23 September 2021 and will come into force on 6 April 2024.

United States of America

Proposed reconciliation bill tax hikes and incentives released ahead of mark-ups

US House Ways and Means Committee Chairman Richard Neal, D-Mass, on 13 September 2021 released legislative text of proposals for significant tax increases on corporations, multinationals, owners of passthrough entities, and wealthy individuals, along with dozens of business and individual tax incentives that Democratic taxwriters intend to incorporate into the Build Back Better Act, the massive tax-and-spending budget reconciliation bill that party leaders hope to move through the chamber in the coming weeks.

At a high level, the proposed revenue raisers are:

- Increase the top individual income tax rate (to 39.6%) and the top capital gains rate (to 25%), and impose a surtax on the highest-income taxpayers;
- Increase the top corporate rate to 26.5%;
- Overhaul the rules for taxing multinational corporations; and
- Provide additional funds for the IRS to address tax compliance issues, particularly among high-wealth individuals.

On the incentive side, the committee plans proposals include:

- Tax deductions, credits, and other incentives focused on renewable energy production and investment, commercial and residential energy-efficient building projects, and low-emission vehicles;
- Tax credits and tax-preferred bond provisions aimed at revitalizing economically distressed communities; and
- "Social safety net" incentives for individuals and families, plus a handful of tax provisions related to higher education.

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