

Tax Updates

April 2024



Dear Valued Readers,

Greetings and welcome to the April 2024 edition of tax updates brought to you by ECAG's Tax Desk. Here, we bring you a comprehensive overview of recent developments in the world of taxation. Inside, you will find a diverse array of topics spanning from new guidelines on Corporate Tax relief in the UAE to International Tax Treaties and digital initiatives.

Discover insights into the latest guidelines published by the UAE Federal Tax Authority (FTA), offering clarity on Qualifying Group Relief and Business Restructuring Relief, crucial for businesses operating in the region. Additionally, explore the implications of the UAE's public consultation on potential R&D tax incentives, shaping the future of innovation and economic growth.

Beyond the UAE, delve into International Tax agreements such as, consultations between Bangladesh and Qatar, and Kazakhstan and Oman, highlighting the importance of cross-border cooperation in taxation matters.

Furthermore, stay updated on digital advancements in tax administration, including linking the Emara Tax Accounts with the UAE pass and initiatives for e-invoicing integration in Saudi Arabia, reflecting the ongoing digital transformation shaping tax compliance globally.

In a rapidly evolving tax landscape, staying informed is paramount. These updates aim to empower you with the knowledge needed to navigate regulatory changes effectively, ensuring compliance and strategic decision-making.

Stay informed, stay ahead – Happy Reading!

CA Manu Palerichal
Partner & CEO



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Corporate Tax Guidance Published on Qualifying Group Relief:

On 3 April 2024, the UAE Federal Tax Authority (FTA) published a Corporate Tax guide on “Qualifying Group Relief”

This guide is designed to provide general guidance on the Qualifying Group Relief available under Article 26 of the UAE Corporate Tax Law. The guide provides an overview on transactions covered within scope of the relief, eligibility conditions, consequences of electing for relief, clawback circumstances, compliance requirements, and interaction with other tax law provisions.

This guide does not address Tax Groups, except where the Tax Group provisions interact with the provisions of Group Relief.

The UAE Federal Tax Authority Provides Guidance on Business Restructuring Relief:

The UAE FTA released the Corporate Tax Guide on Business Restructuring Relief (CTGBRR1) on 17 April 2024. This guide is designed to provide general guidance on the Business Restructuring Relief available under Article 27 of the UAE Corporate Tax Law. The relief allows certain types of restructuring transactions to take place in a tax neutral manner without triggering a corporate tax liability.

The guide outlines the transactions covered by the relief, eligibility conditions, consequences of electing for the relief, circumstances leading to clawback, compliance requirements, and interactions with other provisions of the UAE Corporate Tax Law.



On 3 April 2024, the UAE Federal Tax Authority (FTA) published a Corporate Tax guide on “Qualifying Group Relief.”



Corporate Tax Guidance Published on Investment Funds and Investment Managers:

On 6 May 2024, the UAE Federal Tax Authority (FTA) published a Corporate Tax guide on “Investment Funds and Investment Managers.”

This guide aims to provide clarity on UAE Corporate Tax treatment for investment funds, investors, and investments managed by Investment Managers.

It outlines the criteria for a fund to qualify for tax exemption, including the definition of a Qualifying Investment Fund and Investment Manager. Additionally, it covers the conditions under which Real Estate Investment Trusts (REITs) can be exempt from Corporate Tax, and the tax implications for investors in Qualifying Investment Funds.

Furthermore, it explains the conditions for foreign entities to benefit from the Investment Manager Exemption as outlined in Article 15 of the Corporate Tax Law.

Finally, the guide highlights relevant Corporate Tax compliance requirements for all parties involved.

The UAE Launches Public Consultation on R&D Tax Incentive

The UAE Ministry of Finance has launched a public consultation on the potential introduction of R&D tax incentives.

The consultation is split into the following sections:

- questions that cover various aspects of the design features of a potential R&D tax incentive and
- a Guidance Paper on R&D principles that cover the definition, characteristics and typical activities of R&D functions.

Guidance Paper can be accessed through following Link:

<https://mof.gov.ae/wp-content/uploads/2024/04/Guidance-Paper-on-the-Foundations-of-RD.pdf>

Consultation could be submitted on the following link:

https://docs.google.com/forms/d/e/1FAIpQLScXGTz1I8CpuVKwDKMwzdYtHPpHu7jiH5_x-iFX5Tw23JHINg/viewform

The Feedback on this consultation paper is required to be submitted by 14 May 2024.

FTA Urges Emaratax Users to Link Accounts with the UAE Pass

In April 2024, the FTA released guidance through the EmaraTax portal, urging all users to connect their portal accounts with their respective UAE Pass accounts. While this linking process is presently available, alternative login options are also offered. However, it's important to note that UAE Pass will be mandatory for portal access starting from September 30, 2024.

FTA has Issued Comprehensive Guide to the UAE VAT Group Formation and Management (VATGGR101)

The UAE FTA has issued VAT Groups guidance on March 25, 2024. The updated guide, VATGGR101, provides valuable insights into the process and benefits of tax grouping for VAT purposes. The purpose of this document is to provide detailed guidance to businesses interested in forming, modifying, or de-registering a tax group.

FTA has Implemented the application of Black Points for Tax Agents

The FTA has recently implemented the application of black points to tax agents for non-compliance, as outlined in the Professional Standards Guide for Tax Agents. This decision, effective from July 1, 2024, signifies a stricter enforcement of compliance measures within the tax agent community.



Deadline for Country-by-Country (CbC) Reporting for FY 2023 Announced by the Ministry of Industry and Commerce (MoIC)

The Ministry of Industry and Commerce (MoIC) has issued a letter to all MoIC registered entities outlining the CbC filing obligations in compliance with Ministerial Order No. 28 of 2021. Here's a breakdown of the key points:

- **Notification Filing (Constituent Entities):**
Constituent Entities, which are part of a Multinational Enterprise (MNE) group, must file a notification via email to es@moic.gov.bh. This notification should disclose the identity and tax residence of their Ultimate Parent Entity (UPE).
- **Report Filing (Reporting Entities):**
Reporting Entities, which are UPEs resident in Bahrain, are responsible for filing a CbC report on behalf of the entire MNE group. This report must be submitted through the CbC report form on the International Tax Information Exchange System (ITIES) at <https://ities.nbr.gov.bh>.
- **Filing Deadline:**
The deadline for both notification and report filings for the fiscal year ended 31 December 2023 is 31 December 2024.

It's crucial to adhere to these filing requirements to ensure compliance with regulatory obligations. Failure to meet the deadlines or provide accurate information may result in penalties or legal consequences.



Tax Treaty between Bangladesh and Qatar Signed

On 23 April 2024, officials from Bangladesh and Qatar 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



Kazakhstan Consults on Signing Tax Treaty with Oman

The Kazakhstan government has published an updated draft resolution for consultation on the signing of an income tax treaty with Oman. The treaty will be the first of its kind between the two countries and must be signed and ratified before entering into force. Details of the treaty will be published once available.



The Kazakhstan government has published an updated draft resolution for consultation on the signing of an income tax treaty with Oman.





Zakat, Tax, and Customs Authority Sets Criteria for Wave 10 Taxpayers in E-Invoicing Integration

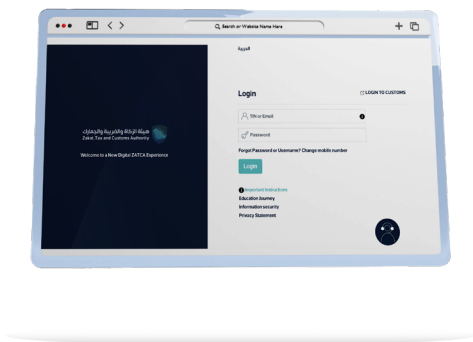
As per the news from The Saudi Arabia Zakat, Tax and Customs Authority (ZATCA) on 29 March 2024, ZATCA mandates taxpayers with VAT revenues over 25 million SAR in 2022 or 2023, integration with FATOORA platform by October 1, 2024, as part of Phase Two of E-invoicing for economic development and digital transformation in Saudi Arabia.

ZATCA acknowledges that the introduction of Phase Two of e-invoicing aligns with the ongoing economic development and digital transformation in the Kingdom, building upon the successful outcomes of Phase One.

Saudi Arabia Announces 11th Wave of Phase 2 E-invoicing Integration

The ZATCA announced on April 26, 2024, that taxpayers residing in Saudi Arabia, with a taxable turnover exceeding SAR 15 million during either calendar year 2022 or 2023, will be included in the 11th wave of Phase 2 e-invoicing integration. These taxpayers are required to comply with Phase 2 requirements by linking and integrating their electronic invoicing systems with ZATCA's e-invoicing platform, FATOORA.

The ZATCA Governor issued Decision No. (428-99-1445) on October 15, 1445 AH, published on April 26, 2024, stipulating that affected taxpayers must adhere to Phase 2 e-invoicing requirements between November 1, 2024, and January 31, 2025.



ZATCA mandates taxpayers with VAT revenues over 25 million SAR in 2022 or 2023, integration with FATOORA.





OECD

OECD Publishes Consolidated Commentary to the Global Anti-Base Erosion Model Rules and Updated Illustrative Examples

On 25 April 2024 the OECD has released a Consolidated Commentary to the Global Anti-Base Erosion Model Rules (2023), incorporating administrative guidance from the Inclusive Framework up to December 2023. The OECD has also published updated examples that illustrate the application of the Model GloBE Rules to certain fact patterns.

This commentary aims to provide clarity and guidance on the application of the GloBE Rules, which ensure multinational enterprises pay a minimum level of tax in jurisdictions where they operate.

It addresses tax challenges stemming from digitalization and promotes consistent interpretation and application for tax administrations and taxpayers alike.

Hongkong

Draft Legislation on Patent Box Tax Concession Introduced into Legislative Council

The draft legislation to implement the patent box tax incentive regime, the Inland Revenue (Amendment) (Tax Concessions for Intellectual Property Income) Bill 2024 (“the bill”), was introduced into the Hong Kong SAR (HKSAR) Legislative Council on 10 April 2024. The Bill 2024 proposes a 5% tax rate for eligible IP profits in Hong Kong, encouraging R&D activities and IP trading, applicable from April 1, 2023, with eligible IP including patents, plant variety rights, and copyrighted software.

Hong Kong Launches New Version of Electronic Filing Services for Profits Tax Returns

The Hong Kong Inland Revenue Department (IRD) on 1 April 2024 has launched new versions and enhanced features for electronic filing of profits tax returns, offering corporations and businesses the option to e-file returns for the years 2022/23 and 2023/24, along with supporting documents, via eTAX. Traditional Chinese editions of the tools are also available, encouraging taxpayers to participate in voluntary e-filing.

United Kingdom

HMRC Publish Guidance on Overseas and Contracted-out R&D Expenditure

The UK Finance Act 2024 introduced substantial changes to corporation tax R&D reliefs, which will apply to accounting periods commencing on or after April 1, 2024. These alterations encompass restrictions on contractor payments and externally-provided worker payments for R&D activities conducted overseas, as well as fresh regulations concerning contracted-out R&D.

UK Raises VAT Threshold and Freezes Business Rates

HMRC has announced an increase in UK VAT threshold to GBP 90,000 from GBP 85,000 with effect from 1 April 2024 and freezes business rates to support small businesses, with over 28,000 businesses benefiting. £4.3 billion in business rates relief is implemented, alongside National Insurance cuts for the self-employed. Additional tax cuts for the creative sector, including film studios, aim to boost the economy, aligning with the government's 'Help to Grow' initiative for SMEs.

United States

IRS Offers Limited Penalty Relief for Failure to Pay Estimated Tax Linked to CAMT Liability

On 15 April 2024, the US Internal Revenue Service (IRS) released Notice 2024-33, which grants limited penalty relief for corporations that do not pay estimated income tax related to a corporate alternative minimum tax (CAMT) liability due by April 15, 2024, or May 15, 2024, for fiscal year taxpayers beginning in February 2024.



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TAX

Direct Tax

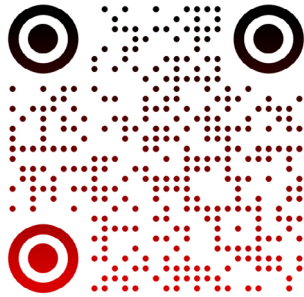
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 - » Country by Country Reporting [CbCR]
 - » TP Local File and Master File
 - » TP Advisory
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 - » Review of International Transaction
 - » Economic Substance Regulation
 - » Tax Residency Certificate
 - » Ultimate Beneficial Owner Regulation [UBO]

Indirect Tax

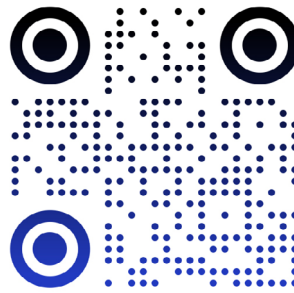
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 - » VAT Return Filing & Refund
 - » Registration/De-registration
 - » Representation to FTA
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 - » Free Zone
 - » Offshore
- Local | Corporate Sponsorship
- Company Liquidation
- Offshore Registered Agent –JAFZA
- PRO Service



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