



Tax Updates

December 2023

Dear Valued Readers,

Happy New Year! We hope you had a wonderful holiday season filled with joy and warmth. As we kick off the new year, we are excited to share with you our latest tax update for the month of December.

Staying compliant is the cornerstone of our professional ethos. We provide an overview of any changes in compliance requirements and reporting obligations, ensuring that our readers are well-prepared to meet regulatory standards.

UAE is known for its commitment to fostering a business-friendly environment. Understanding the tax landscape is crucial for individuals and businesses alike. In this month's update, we bring you key insights into recent legislative changes, tax planning opportunities, and compliance reminders that may impact your financial decisions.

Our commitment to transparency and providing you with the information you need is at the core of what we do. As we share this tax update, we encourage you to take a proactive approach to your financial planning and use the insights provided to make informed decisions.

As we start this year, let us remain steadfast in our commitment to excellence, innovation, and client satisfaction. The Monthly Tax Updates serve as a testament to our dedication to providing timely and relevant information that empowers our clients to thrive in the tax world. We appreciate your trust and engagement with us, and we look forward to serving you and being a part of your continued success in 2024.

Wishing you a prosperous and fulfilling year ahead!

CA Manu Palerichal
Partner & CEO



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UAE Federal Tax Authority provides guidance on Taxation of Extractive Business and Non-Extractive Natural Resource

On 12 December 2023, the UAE Federal Tax Authority (FTA) published the Corporate Tax Guide on Taxation of Extractive Business and Non-Extractive Natural Resource Business - CTGEPX1. It provides readers with an overview of:

- Scope of the Corporate Tax exemption for Extractive Businesses and Non-Extractive Natural Resource Businesses.
- How the Corporate Tax rules apply to Extractive Businesses and Non-Extractive Natural Resource Businesses.
- How the Taxable Income of any other Business of an Extractive Business or Non-Extractive Natural Resource Business is determined.
- Compliance requirements for Extractive Businesses and Non-Extractive Natural Resource Businesses under the Corporate Tax Law.

Public Clarification VATP0035 on criteria to be followed in the determination of parts and pieces of electronic devices.

On 2 December 2023, Public Clarification VATP0035 was released pursuant to the Ministerial Decision No. 262 of 2023, on criteria to be followed in the determination of parts and pieces of electronic devices.

As per Cabinet Decision No. 91 of 2023 on the application of reverse charge mechanism on electronic devices among registrants in the state for the purposes of Value Added Tax, it contains the relevant tax treatments of certain supplies that relate to Electronic Devices.

Cabinet Decision No. 65 of 2020 on fees for the services provided by FTA

On 13 November 2023, Cabinet Decision No. 111 of 2023 on fees for the services provided by the Federal Tax Authority has been issued. This decision encompasses amendments to the fees levied by the Federal Tax Authority in exchange for the services provided.

The amendments contained in Cabinet Decision No. 111 of 2023 shall come into effect as of 1 December 2023.

Tax Assessment Review Request.

As part of streamlining the process and ensuring compliance with tax provisions the authority has made available an option for the registrants to submit an appeal to whom a tax assessment decision has been issued.

The applicants can submit the request only through email in assessmentreview@tax.gov.ae within a period of 40 business days from the date the person is notified of the Tax Assessment and related Administrative Penalties.

Dubai Customs issues Notice No. (11/2023) on Digitization of Vehicle Clearance Card

In alignment with Dubai government's paperless strategy, the Dubai customs has announced vide Notice No. (11/2023) issued on 7 December 2023 that Vehicle Clearance Certificate (VCC) cards shall be upgraded to digital format. Customers can download the digital card from the Dubai Trade portal on payment of applicable fee effective from December 10, 2023.

UAE introduces voluntary alternative end-of-service benefits scheme

The UAE's Ministry of Human Resources and Emiratization, in collaboration with the Securities and Commodities Authority, introduces a voluntary end-of-service benefits scheme for private-sector employers and employees, including those in free zones.

This initiative aligns with the UAE's strategy to enhance financial security for expatriate workers by permitting employers to invest monthly contributions in an investment fund rather than making a lump-sum payment at the end of the employment period.

Tax Treaty between Cuba and the UAE Signed:

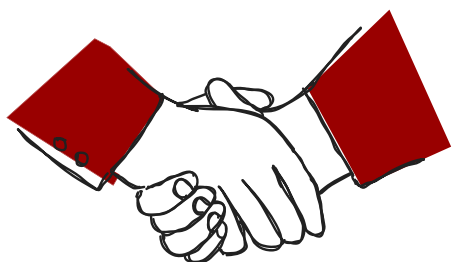
On 29 November 2023, officials from Cuba and the United Arab Emirates signed an income tax treaty. The treaty is the first of its kind between the two countries and will enter into force after the ratification instruments are exchanged. Details of the treaty will be published once available.

Czech Republic ratifies new Tax Treaty with the UAE

On 18 December 2023, Czech President Petr Pavel signed the law for the ratification of the new income tax treaty with the United Arab Emirates. The new treaty, signed 24 May 2023, will enter into force once the ratification instruments are exchanged by both the parties and will apply from 1 January of the year following its entry into force. Once the new treaty is in force and effective, the existing treaty will cease to apply.

UAE Cabinet Approves Pending Tax Treaty with Guyana

The United Arab Emirates Cabinet of Ministers approved the pending income tax treaty with Guyana on 10 December 2023



Swiss Council of States Approves Pending Protocol to Tax Treaty with the UAE

On 14 December 2023, the Swiss Council of States approved the ratification of the pending protocol to the 2011 tax treaty with the United Arab Emirates. The protocol, signed on 5th November 2022, is the first to amend the treaty and includes changes to bring the treaty in line with OECD BEPS standards, among others.

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



National Bureau of Revenue (NBR) invites eligible businesses to register for VAT

On 5 December 2023, the NBR published highlights on who requires to be registered for the VAT purposes, the explanation of the economic activity and when to register for the VAT purposes including the registration threshold of BHD 37,500.

Bahrain and Jersey Sign MoU on Tax Cooperation

The Jersey Government has announced the signing of a Memorandum of Understanding with Bahrain on 6 December 2023 to enhance cooperation on tax and other areas.



On 5 December 2023, the **NBR** published highlights on who requires to be registered for the VAT purposes.





Russian Ratifies Pending Tax Treaty with Oman

On 12 December 2023, Russia published Federal Law No. 571-FZ in the Official Gazette, which provides for the ratification of the pending income tax treaty with Oman, which was signed on 8 June 2023.

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



Austria Authorizes Signing of Amending Protocol to Tax Treaty with Qatar

On 29 November 2023, the Austrian Council of Ministers authorized the signing of an amending protocol to the 2010 tax treaty with Qatar. The protocol will be the first to amend the treaty and must be signed and ratified before entering into force.





Saudi Arabia offers 30-year tax holiday under Regional Headquarters program

On 5 December 2023, Saudi Arabia's Ministry of Investment, in collaboration with the Ministry of Finance and Zakat, Tax, and Customs Authority, unveils a 30-year tax incentive plan for multinational companies engaged in regional headquarters activities. The package includes a 0% corporate and withholding tax rate for three decades, applicable upon obtaining the regional headquarter license.



OECD

Brunei, Kuwait, and New Zealand to be Screened for EU Non-Cooperative List

On 8 December 2023, the EU Economic and Financial Affairs Council endorsed an expansion of the geographical scope of the EU listing exercise (screening process) for the purpose of the EU list of non-cooperative jurisdictions. The expanded scope includes the addition of Brunei, Kuwait, and New Zealand.

New OECD administrative guidance provides additional detail on Pillar Two compliance:

The OECD/G20 Inclusive Framework on BEPS issued Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two) on December 18, 2023, building on previous releases in 2021, 2022, and 2023. The guidance will be included in a future revised commentary.

OECD recommendations to address dividend stripping

The OECD has published a report providing several recommendations for countries in regard to recognizing the risk, improving domestic coordination, and expanding international cooperation to address the illicit tax practice of dividend stripping.

Inclusive Framework releases further guidance on implementing Pillar 2 Global Minimum Tax and updates timeline on Pillar 1 Amount A Convention

On 18 December 2023, OECD announced the release of further technical guidance by the Inclusive Framework on the implementation of the Pillar 2 global minimum tax. The Inclusive Framework also issued a statement concerning the timeline of the Multilateral Convention to Implement Amount A of Pillar One (MLC) for the reallocation of taxing rights to market jurisdictions, including that the text is to be finalized by the end of March 2024 with a signing ceremony to be held by the end of June 2024.

India

Amendment to Special Economic Zones Rules, 2006

The Ministry of Commerce and Industry has issued Notification dated 6 December 2023 and inserted Rule 11B in the Special Economic Zone Rules, 2006 to allow demarcation of portion of the built-up area in an Information Technology or Information Technology Enabled Services Special Economic Zone as non-processing area, subject to conditions including repayment of tax concessions attributable to the area.

CBDT extends the deadline for processing claimed refund ITRs for AYs 2018–19 to 2020–21 until January 31, 2024 with the specific exceptions

The CBDT has addressed pending grievances of taxpayers related to the issue of refund for AYs 2018-19, 2019-20 and 2020-21, decided to allow the processing of electronically filed income returns with refund claims for AYs 2018-19, 2019-20, and 2020-21 beyond the specified time-frame in section 143(1), subject to administrative approval, excluding specific exceptions. The intimation of processing under section 143(1) of the Act can be sent to the assessee concerned by 31.01.2024.

However, this relaxation shall not be available to the following returns:

- a. Returns selected in scrutiny,
- b. Returns remain unprocessed, where either demand is shown as payable in the return or is likely to arise after processing it, and
- c. Returns remain unprocessed for any reason attributable to the assessee.

Mandatory 6-Digit HSN Code

Taxpayers with an Adjusted Annual Turnover of 5 Crore and above are now required to include a minimum of 6 digits of the HSN code for each item in their e-Invoices. This finer granularity is expected to facilitate more precise identification and categorization of goods and services.

The new requirement is set to come into effect swiftly, with the deadline for compliance being December 15, 2023. Taxpayers falling under the specified turnover bracket must ensure that their e-Invoices generated from this date onward adhere to the updated guidelines.

Singapore

Singapore e-Tax Guide on Tax Treatment of Gains or Losses from the Sale of Foreign Assets

The Inland Revenue Authority of Singapore (IRAS) has published a new e-Tax Guide, Income Tax: Tax Treatment of Gains or Losses from the Sale of Foreign Assets. The e-Tax Guide explains the new income tax treatment of gains or losses from the sale or disposal of movable or immovable property situated outside Singapore (referred to as "foreign assets") from 1 January 2024.



The Inland Revenue Authority of Singapore (IRAS) has published a **new e-Tax Guide.**



Hong Kong

Law to introduce tax certainty enhancement scheme for onshore capital gains enacted

On December 6, 2023, the Hong Kong SAR Legislative Council passed the Inland Revenue (Amendment) Bill 2023 enacting a tax certainty enhancement scheme for onshore disposal gains on equity interests held for at least 24 months, treating them as non-taxable capital if meeting specified criteria, applicable from January 1, 2024.

Draft law to introduce tax deduction for upfront spectrum utilization fees gazette

On 1 December 2023, the Inland Revenue (Amendment) (Tax Deductions for Spectrum Utilization Fees) Bill 2023 was gazetted. The bill aims to foster increased investment in infrastructure by telecommunications network operators, with a focus on improving communication services for both commercial and private consumers. It proposes tax relief for the entirety of the upfront lump sum spectrum utilization fees (SUFs) as a means to encourage and support such developments.

United States

Notice 2023-80 lays out interaction of Pillar Two and foreign tax credits

On 11 December 2023, the US Department of the Treasury and IRS plan to issue regulations addressing the application of foreign tax credit rules to specific top-up taxes, including those outlined in the global anti-base erosion model rules (Pillar Two). The notice also extends and modifies temporary relief for determining the creditability of foreign taxes under Internal Revenue Code sections 901 and 903, emphasizing the interaction with the dual consolidated loss rules.

U.S. IRS and Treasury Issue clean vehicle credit guidance for manufacturers

The U.S. IRS issues guidance for clean vehicle manufacturers, defining rules under the excluded entity restriction for the section 30D clean vehicle credit, addressing eligibility criteria related to battery components and critical minerals sourced from foreign entities of concern.

U.S. Treasury and IRS issue guidance for advanced manufacturing production credit

On December 14, 2023, the U.S. IRS released proposed regulations offering guidance for the advanced manufacturing production credit established by the Inflation Reduction Act (IRA), outlining criteria for eligible components, rules for production and sale to both unrelated and related persons, and specifics on recordkeeping and reporting requirements.

Notice 2024-10 provides additional corporate AMT guidance:

The US Inflation Reduction Act of 2022 introduced a 15% corporate alternative minimum tax (CAMT) on "adjusted financial statement income" (AFSI) for applicable corporations, effective for taxable years starting after December 31, 2022. Additional interim guidance, outlined in Notice 2024-10, has been released by the US Department of the Treasury and IRS to further clarify CAMT application, covering aspects such as AFSI determination for US shareholders receiving covered CFC distributions and modifications to prior guidance on applicable financial statements for tax consolidated groups



United Kingdom

UK HMRC consults on amendments to making tax digital regulations for Income Tax

UK HMRC has launched a public consultation on amendments to the Making Tax Digital (MTD) regulations for Income Tax. The consultation closes on 12 January 2024. From April 2026, Making Tax Digital (MTD) for Income Tax, will apply to relevant persons (unincorporated businesses and landlords) with business and/or property income over £50,000 followed by those with income over £30,000 from April 2027.

These changes include:

- revised MTD mandation date and threshold
- improving the design of quarterly updates
- simplifying processes by removing End of Period statements
- introducing easements for landlords with jointly owned property
- exempting specific groups from MTD requirements

UK to implement new import carbon pricing mechanism by 2027

On 18 December 2023, UK HM Treasury announced that UK is planning to implement a new import carbon pricing mechanism by 2027.

The UK Carbon Border Adjustment Mechanism (UK-CBAM) will ensure highly traded, carbon-intensive products from overseas in the iron, steel, aluminium, fertiliser, hydrogen, ceramics, glass and cement sectors face a comparable carbon price to those produced here.

Egypt

Egyptian Tax Authority (ETA) releases guidelines on reverse charge mechanism for imported services:

ETA issued guidelines stipulating that companies not registered for VAT, regardless of exempt activities, must register when involved in imported services, with penalties for non-compliance, emphasizing the importance of businesses reviewing practices for adherence.



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TAX

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- Transfer Pricing [TP]
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- Offshore Registered Agent –JAFZA
- PRO Service



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