

Tax Updates

July 2024



Dear Valued Readers,

"Compliance is not a burden, but a foundation for trust and growth. Continuous learning is the key to staying ahead in a changing world."

As we move through the second half of 2024, I wanted to take a moment to share our tax updates for the month of July 2024 also to reflect our continuous journey towards excellence and compliance.

The Federal Tax Authority (FTA) has issued several significant documents, including a comprehensive Corporate Tax Guide and various Public Clarifications. These updates are crucial as they help us better understand and navigate our tax obligations, ensuring that we remain compliant and well-prepared for the future.

In the broader GCC region, there have been noteworthy developments. Oman is making strides with personal income tax legislation, and Kuwait and Saudi Arabia are working on important tax information exchange agreements and electronic invoicing systems, respectively. These changes underscore the dynamic nature of our region and the importance of staying informed and adaptable.

I encourage each of you to stay updated, learn and implement. Thank you to all the readers and members for your dedication and hard work. Together, we will continue to achieve great things.

Happy reading!

CA Manu Palerichal
Founder Partner & CEO



Our Team

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Corporate Tax Guide on Determination of Taxable Income

On July 31, 2024, the Federal Tax Authority (FTA) issued Corporate Tax Guide | CTGDT11 on the Determination of Taxable Income. This guide is designed to provide general guidance to Taxable Persons for determining their Taxable Income and calculating their Corporate Tax Payable under the Corporate Tax Law.

It provides readers with an overview of –

- The adjustments required to be made to the Accounting Income for determining the Taxable Income under the Corporate Tax Law
- The adjustments required to be made to the Taxable Income for calculating the Corporate Tax Payable under the Corporate Tax Law

Corporate Tax Public Clarification on the First Tax Period of a juridical person

On July 30, 2024, the FTA issued a Public Clarification on the First Tax Period of a juridical person. This Public Clarification is intended to clarify the First Tax Period under the Corporate Tax Law for a juridical person, Non-Resident Person with a Permanent Establishment and Resident Person with effective management and control in the UAE.

Taxable Person's Tax Period is the Financial Year or part thereof for which a Tax Return is required to be filed. It clarifies that the first Financial Year under the Commercial Companies Law may not necessarily be a 12-month period, but instead can be a period between 6 months and 18 months, when the entity is established after June 1, 2023.

The Public Clarification addresses the timeline for Tax Deregistration in case of the cessation of Business or Business Activities before or during the first Tax Period.



On July 30, 2024, the FTA issued a Public Clarification on the First Tax Period of a juridical person.



UAE Tax Authority Issues Tax Information Bulletin with Respect to Natural Persons & Free Zone Persons

On July 26, 2024, the UAE Federal Tax Authority issued a Basic Tax Information Bulletin clarifying the circumstances under which natural persons may be liable to the newly introduced corporate tax.

Natural persons are considered as taxable persons for the purposes of the Corporate Tax Law if they:

- Conduct a business or business activity in the UAE;
- Have a permanent establishment in the UAE; or
- Derive income accrued in or derived from the UAE.

Natural persons meeting one of the above tests become liable to corporate tax only where their total annual turnover exceeds AED 1 million.

For Free Zone Persons, the Corporate Tax Law allows to benefit from a 0% Corporate Tax rate on their Qualifying Income. The other income, which is not Qualifying Income, is subject to Corporate Tax at the standard rate of 9%.

Public Clarification on the Definition of 'Related Parties' Where there is a Common Ownership and/or Control through a Government Entity

On July 21, 2024, the FTA issued Public Clarification CTP002, which outlines the definition of 'Related Parties' under Article 35 of the Corporate Tax Law.

This clarification specifies that entities with direct or indirect ownership or control by the UAE Federal Government or local Emirates-level governments are not considered Related Parties.

Procedures and Details of Advance Pricing Agreement (APA) Framework Expected in Q4 2024

On July 12, 2024, the FTA has issued Decision No. 4 of 2024 on Amending the Authority's Policy on Issuing Clarifications and Directives.

This decision specifies the circumstances under which taxpayers may request clarifications and the subsequent actions the FTA will undertake.

Decision No. 4 states that a detailed procedure will be announced in the fourth quarter of 2024 for submission of applications in this regard and issuance of APAs.



Refund of Fees of Private Clarification Requests

On July 19, 2024, the FTA issued Decision No. 5 of 2024 regarding the Refund of Fees of Private Clarification Requests.

Under "private clarification", companies could submit a request to seek further clarification related to one tax, or more than one tax issued by the FTA.

If the request was related to one or more than one tax, and the clarification was not provided, the full amount of fee shall be refunded. This shall be effective from August 1, 2024.

Federal Tax Authority Launches 'Maskan' Smart Application to Facilitate Processes for UAE Citizens Looking to Recover Taxes on Building New Residences

On July 16, 2024, the FTA has launched its new smart application 'Maskan', which forms part of its continuous efforts to implement digital transformation plans and provide outstanding tax services, in line with government priorities and strategic directions.

The full launch of the 'Maskan' application's smart features will be rolled out over two stages:

- The first has already been actiVATed, allowing UAE citizens (applicants) to create their own file and enter tax invoices related to the purchase of supplies for the construction of their home by simply uploading the files or attaching photos and submitting the refund request.
- The second phase will be initiated before the end of July 2024, introducing all of the application's characteristics and features and allowing citizens to scan a barcode from the 'Maskan' app to upload tax invoices from outlets registered with the Authority to each applicant's account.

Implementing the Comprehensive Economic Partnership Agreement between the UAE and Georgia

Based on Federal degree No. (71) of 2024 ratifying the Comprehensive Economic Partnership Agreement between the government of the United Arab Emirates and the government of Georgia, and the letter of the Federal Authority for identity, citizenship, Customs, and port security reference 40753/99 dated 26/06/2024 regarding the implementation of comprehensive economic Entrepreneurship Agreement between the UAE and Georgia.

The Comprehensive Economic Partnership Agreement between the United Arab Emirates and Georgia entered into force on June 27, 2024.



On July 19, 2024, the FTA issued Decision No. 5 of 2024 regarding the Refund of Fees of Private Clarification Requests.





Bahrain Reaffirms 'Bahrainization' Policy

As reported by The Daily Tribune on May 20, 2024, the Bahrain government has reaffirmed its commitment to creating job opportunities for its citizens in the private sector through the “Bahrainization” policy. This policy aims to increase the percentage of Bahrain nationals employed in various sectors by setting specific “Bahrainization” ratios for each sector.

<https://www.newsofbahrain.com/bahrain/99330.html>

Lawmakers propose New Bill to implement Corporate Income

As reported by The Daily Tribune on June 24, 2024, a group of lawmakers has proposed a new law introducing a Corporate Income Tax (CIT). The proposed legislation establishes a comprehensive framework for a tax system governing company operating in the Kingdom of Bahrain.

The memoranda accompanying the new bill emphasise that it has been proposed to exempt lower-income individuals from taxation.

<https://www.newsofbahrain.com/bahrain/100326.html>

The National Bureau for Revenue Urges all VAT Subjects to Update their Contact Details

The National Bureau for Revenue (NBR) on July 1, 2024, calls on all VAT subjects to update their contact details registered on the NPRA portal to ensure that they receive all notifications and updates, in order to achieve maximum transparency through effective communication in a manner that ensures the efficiency and effectiveness of the VAT subject's procedural processes.



As reported by The Daily Tribune on June 24, 2024, a group of lawmakers has proposed a new law introducing a Corporate Income Tax (CIT).





Oman Shura Council advances the Personal Income Tax bill to the State Council

On June 27, 2024, the Shura Council advanced the draft Personal Income Tax (PIT) bill to the State Council. While the State Council is yet to approve the bill, it proposes PIT between 5% to 9% for Oman-sourced income above USD 100,000 for foreign nationals and net income above USD 1,000,000 for Omani citizens. The details and timing of implementation are yet to be officially confirmed.

Implementation of PIT is expected to increase tax collections and, as a consequence, the non-oil and gas revenues for Oman.

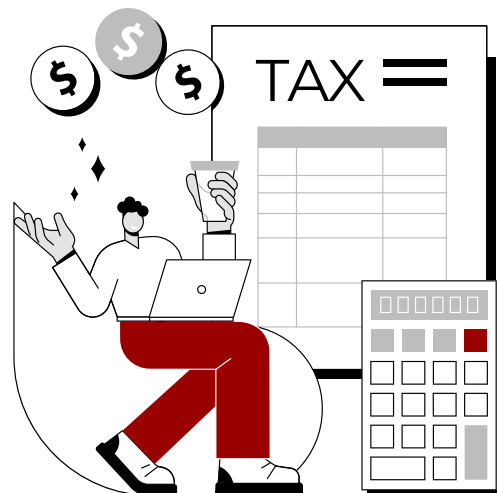
Egyptian Cabinet Approves Pending Tax Treaty With Oman

On July 9, 2024 the Egyptian Cabinet approved the ratification of the pending income tax treaty with Oman, which was signed on May 22, 2023.

An earlier treaty was signed in 2000 but never entered into force. The new tax treaty will enter into force after the ratification instruments are exchanged.



On June 27, 2024, the Shura Council advanced the draft Personal Income Tax (PIT) bill to the State Council.





Kuwait

Kuwait Decree-Law on Exchange of Information for Tax Purposes

On July 14, 2024, Kuwait published Decree-Law No. 6 of 2024 in the Official Gazette on the exchange of information for tax purposes. The Decree-Law authorizes the authorities to require the submission of tax information available to residents, including for automatic exchange and in response to requests. This is aimed at enhancing transparency and compliance with international tax agreements. The Decree-Law provides for the imposition of penalties of KWD 10,000 to 20,000 for failing to comply with the requirements.



On July 14, 2024, Kuwait published Decree-Law No. 6 of 2024 in the Official Gazette on the exchange of information for tax purposes.



Kuwaiti Council of Ministers Approves Tax Treaty with United Arab Emirates

On July 8, 2024, the Kuwaiti Council of Ministers issued a decree approving for ratification of the income and capital tax treaty with the United Arab Emirates. The treaty was signed February 11, 2024.

It will enter into force upon the exchange of ratification instruments, and its provisions will generally apply from January 1 of the year following entry into force.



Kingdom of Saudi Arabia

Thirteenth Wave in the Integration Phase of Electronic Invoicing

The Saudi Zakat, Tax, and Customs Authority (ZATCA) has announced that it has determined the criteria for the 13th wave of the integration phase for the country's new E-Invoicing (FATOORA) requirements.

The first wave of the integration phase began on January 1, 2023 for taxpayers with VAT taxable revenue that exceeded SAR 3 billion in 2021, with subsequent waves determined for taxpayers with progressively lower amounts of VAT taxable revenue. It has now been determined that the 13th wave will begin on January 1, 2025 for taxpayers with VAT taxable revenue that exceeded SAR 7 million in 2022 or 2023.

Saudi Arabia Extends Penalty Exemption Initiative to End of 2024

The Saudi Zakat, Tax, and Customs Authority (ZATCA) has announced that the penalty exemption initiative has been extended until December 31, 2024. The initiative was previously scheduled to expire on June 30, 2024 but was extended by a Decision of the Minister of Finance.

The types of taxes included in this initiative are Excise Tax, Value Added Tax, Real Estate Transaction Tax, Withholding Tax and Corporate Income tax.

Saudi Council of Ministers Authorizes Signing of Tax Treaty with Kuwait

On July 23, 2024, the Saudi Council of Ministers authorized the signing of an income tax treaty with Kuwait. The treaty will be the first of its kind between the two countries and must be signed and ratified before entering into force.

Tax Treaty between Saudi Arabia and the Slovak Republic Entering into Force

The income tax treaty between Saudi Arabia and the Slovak Republic enters into force on August 1, 2024. The treaty, signed November 13, 2023, is the first of its kind between the two countries. The treaty covers Saudi Zakat and income tax including the natural gas investment tax.

The treaty applies from January 1, 2025.



OECD

Revised Draft Terms of Reference for a UN Framework Convention on International Tax Released

A Bureau's proposal for a revised draft terms of reference (ToR) for a UN Framework Convention on International Tax was released on July 19, 2024. The revised draft takes stock from more than 100 submissions received following the release of a zero-draft ToR for public comment on June 7, 2024.

Once approved by the General Council, the proposed ToR would serve as the agenda for the Second Session of the Ad-Hoc Group meeting which is scheduled to take place at the UN New York headquarters from July 29 to August 16, 2024.

OECD Releases Corporate Tax Statistics 2024 Showing that Statutory Corporate Tax Rates are Stabilizing Worldwide Following Years of Decline

On July 11, 2024, the OECD announced the release of its annual Corporate Tax Statistics publication. Statutory corporate tax rates are stabilising worldwide after a lengthy period of falling rates.

The average statutory corporate income tax (CIT) rates have remained steady at 21.1% over the past three years. This follows a two-decade period that saw average statutory CIT rates decline from 28% in 2000 to 21.1% in 2021.

Anticipation of the new Global Minimum Tax agreed by more than 140 members of the Inclusive Framework on Base Erosion and Profit Shifting, may have contributed to the recent stabilisation. More than 35 jurisdictions are currently implementing, or plan to implement, the 15% minimum corporate effective tax rate with effect from 2024, reducing competitive pressures on statutory CIT rates.



India

India Budget 2024

On July 23, 2024, the Finance Minister presented the Finance (No. 2) Bill, 2024 to the Parliament. The Union Budget 2024 proposes a slew of changes in taxation policies. Key highlights are –

- Revised Personal Income Tax rates
- Reduction in the base corporate tax rate for non-resident corporate taxpayers from 40% to 35%
- Rationalization of TDS rates
- A simplified and rationalized capital gains tax regime
- Abolishment of the Angel Tax for all investors
- Withdrawal of the 2% E-Commerce Equalization Levy (EL) on e-commerce supply or services
- Buy-back tax on purchase of own shares abolished
- An exemption from interest limitation rules for financial companies operating in an International Financial Service Center (IFSC)
- Reintroduction of onetime tax settlement scheme — Vivad se Vishwas (VSV) — to enable expeditious disposal of pending tax disputes
- A reduction in statutory timeline for reinitiating tax audits
- Amendment of withholding tax provision on sale of immovable property

Singapore

Singapore Provides Guidance on Corporate Income Tax Filing Season 2024

The Inland Revenue Authority of Singapore (IRAS) has published new guidance on the Corporate Income Tax Filing Season 2024. The deadline for filing the Corporate Income Tax Return (Form C-S/ Form C-S (Lite)/ Form C) for the Year of Assessment (YA) 2024 is Nov 30, 2024, and taxpayers may begin filing from July 1, 2024.

The IRAS has also updated its guidance for Companies- Tax Agents in regard to the 2024 filing season and has provided new Calculators for year of assessment 2024 including the income tax calculator for tax resident individuals and the basic corporate income tax calculator (BTC) for companies filing Form C-S and companies filing Form C.

Singapore Publishes Updated e-Tax Guides

- GST for Exports - On July 8, 2024, The Inland Revenue Authority of Singapore (IRAS) published an updated version of its e-Tax guide, GST: Guide on Exports (Eleventh Edition). The e-Tax Guide provides details on the various circumstances and documentary requirements for which a supply of goods can be zero-rated.
- GST Advance Ruling System – On July 15, 2024 the IRAS published an updated version of its e-Tax guide, GST: Advance Ruling System (Tenth Edition). The e-Tax Guide explains the GST advance ruling system and the application procedures.
- GST in the Construction Industry - On July 22, 2024, the IRAS published an updated version of its e-Tax guide, GST: Construction Industry (Third Edition). The e-Tax Guide explains how GST affects a GST-registered contractor when making a supply of construction services and other related services to their customers.

Hong Kong

Hong Kong Provides Extension for Lodgement of 2023/24 Tax Returns for Years Ending in December 2023

On July 25, 2024, the Hong Kong Inland Revenue Department (IRD) issued a Circular Letter to Tax Representatives on the Block Extension Scheme for Lodgement of 2023/24 Tax Returns. The letter provides that the deadline for businesses with a year ending in December 2023 is extended to 29 August 2024 due to the genuine difficulties being experienced by businesses and practitioners in their operations. Despite this extension, tax representatives are encouraged to file as many returns as possible well before the extended due date.

Hong Kong Publishes New FAQs and Illustrative Examples on the Foreign-Sourced Income Exemption

On July 5, 2024, Hong Kong SAR's (HK SAR's) Inland Revenue Department (IRD) updated its website, to incorporate a number of frequently asked questions (FAQs) and illustrative examples reflecting the IRD's latest views on the application of the foreign-sourced income exemption (FSIE) regime. Although the FSIE regime has been in place for more than one year, complications continue to arise and the IRD regularly provides updated guidelines.

Hong Kong passes bill on patent-box tax incentive

On July 5, 2024, the Hong Kong Inland Revenue Department (IRD) has announced the publication of the Inland Revenue (Amendment) (Tax Concessions for Intellectual Property Income) Ordinance 2024 in the Official Gazette, which provides for the introduction of a patent box regime with a concessionary tax rate of 5% for qualifying intellectual property income.

The portion of eligible intellectual property (IP) income will be determined in a manner that would be consistent with the "nexus approach" in BEPS Action 5 and will also take into account certain expenditures incurred by previous owners of the intangible asset, if conditions are met. It will have a retrospective effect for financial years ending on or after 1 April 2023. Taxpayers may want to review their IP structures and assess eligibility for the new Hong Kong regime.

Hong Kong's Proposed Company Re-domiciliation Regime

On July 3, 2024, the HK SAR government published the consultation conclusion and latest legislative proposals for the proposed corporate re-domiciliation regime, following the public consultation launched in March 2023. The objective of the regime is to facilitate companies domiciled overseas to re-domicile to HKSAR, enhancing HKSAR's competitiveness through attracting enterprises and investment, as well as strengthening the jurisdiction's position as a global business and financial hub. The government is in the process of drafting the necessary amending legislation but no specific timeline for publication of the relevant bill has yet been provided.



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United States

U.S. Treasury and IRS Issue Frequently Asked Questions on the Clean Fuel Production Credit

On July 10, 2024, the U.S. IRS announced the issuance of frequently asked questions on the Clean Fuel Production Credit that was introduced as part of the Inflation Reduction Act of 2022. The Inflation Reduction Act of 2022 (IRA) added a new income tax credit for clean fuel production, available beginning Jan. 1, 2025. To claim a Clean Fuel Production Credit the taxpayer must be registered as a producer of clean fuel at the time of production.



On July 10, 2024, the U.S. IRS announced the issuance of frequently asked questions on the Clean Fuel Production Credit that was introduced as part of the Inflation Reduction Act of 2022.

United Kingdom



UK Publishes Guidance on Preparing for the Multinational Top-up Tax and the Domestic Top-up Tax

On July 19, 2024, UK HMRC has published guidance on How to prepare for the Multinational Top-up Tax and the Domestic Top-up Tax.

In October 2021, the UK and over 135 other countries agreed as part of the OECD Inclusive Framework to a two-pillar solution to reform the international corporate tax framework in response to the challenges of digitalisation.

Pillar Two of this solution, known as the Global Base Erosion (GloBE) rules, requires a group with consolidated annual revenues of more than €750 million to pay a minimum 15% tax on its profits in each jurisdiction it operates in.

As part of the UK adoption of the OECD Pillar Two rules, the government has announced 2 new taxes:

- Multinational Top-up Tax (MTT)
- Domestic Top-up Tax (DTT)

These will apply to accounting periods that begin on or after December 31, 2023.



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TAX

Direct Tax

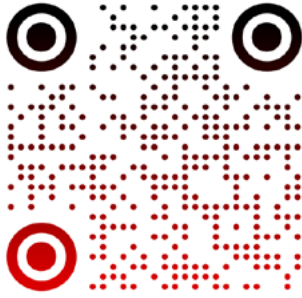
- UAE Corporate Tax
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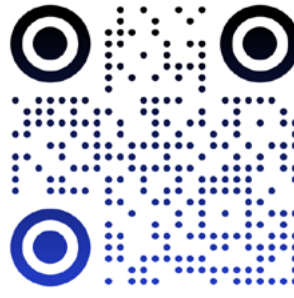
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