ECAG
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Tax Updates

May 2024

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Dear Valued Readers,

As we approach the joyous occasion of Eid Al Adha, I want to extend my heartfelt wishes to you and your families. May this festive season bring happiness, peace, and prosperity to all.

In addition to our celebrations, I want to take a moment to highlight some critical tax updates from this month. These updates reflect ongoing changes in tax Regulations and Policies across various jurisdictions where we operate.

The FTA recently published a new guideline for Corporate Tax registration clarifying the registration timelines. This is much -awaited clarification from the FTA which provides a comprehensive guide with enriched examples navigating the complexities of Corporate Tax registration.

Staying informed about these tax updates is crucial for maintaining our compliance and ensuring the smooth operation of our business. The new guidelines and regulations not only impact our current practices but also shape our future strategies. Adhering to these changes helps us avoid potential penalties, optimize our tax positions, and demonstrate our commitment to corporate governance and fiscal responsibility.

I am grateful for the dedication and diligence of our tax and compliance teams. Your efforts in staying abreast of these updates and ensuring that we comply with all new regulations are invaluable. It is through your hard work that we continue to uphold our reputation for integrity and compliance in all our operations.

Thank you once again for your commitment and teamwork. Let us continue to work together to navigate these changes successfully and maintain our standards of excellence.

Wishing you all a wonderful Eid and continued success in the months ahead.

CA Manu Palerichal
Founder Partner & CEO

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United Arab Emirates

Corporate Tax Guidance Published on Free Zone Persons:

On 20 May 2024, the UAE Federal Tax Authority (FTA) issued the Corporate Tax Guide on Free Zone Persons - CTGFZP1. In the Guide, the FTA has elucidated matters such as substance-related requirements, permanent establishment, and examples of mixed-use immovable property through multiple examples.

The guide has also prescribed conditions for being the ‘Beneficial recipient’, the tracking systems to demonstrate nexus between ‘Qualifying Expenditures’ and the income from ‘Qualifying Intellectual Property’.

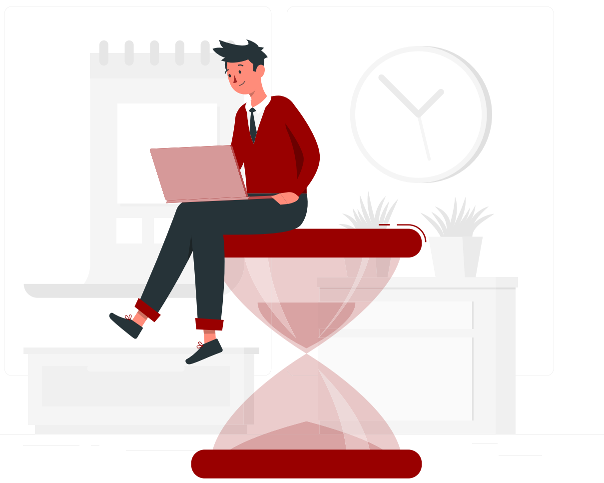
The Guide has elaborated on the scope of each of the ‘Qualifying Activities’ and ‘Excluded Activities’ as listed in the Ministerial Decision No. 265 of 2023 with detailed examples of each of the Activities. Major clarifications have been provided in connection to the physical entry of goods into the Designated Zones for Distribution activities.

All FZPs should now ascertain in light of the additional guidance provided in the FZP Guide whether they can claim the benefit of the QFZP regime.

Public clarification on Corporate Tax registration timelines

On 4 June 2024, the FTA has released public clarification CTP001 on Corporate Tax registration timelines. This Clarification offers clear illustrations to navigate registration deadlines for various categories. Here are some key takeaways:

- Foreign companies with effective management and control in the UAE before March 1, 2024, but without a UAE trade license, also needed to register for CT by May 31, 2024.
- Offshore companies to be registered based on the incorporation date
- The clarification also provides guidance on the "earliest license issuance date" for taxable persons with multiple licenses to determine CT registration timeline.
- Non-resident natural person to submit the application within three months from the date of meeting the requirements of being subject to tax



VAT public clarification-VATP038 on Manpower vs Visa Facilitation Services

On 31.05.2024 the FTA published guidelines on the Taxability of manpower supply services and Visa facilitation services. This guide clearly identifies the difference between Manpower services and Visa Facilitation services and guides on the different VAT applicability in both scenarios.

- The supply of Manpower services will be considered as Taxable supply. The consideration will include employees' salaries, benefits, any additional charges, and other recharges related to the provision of manpower services irrespective of whether the employees' salaries and benefits are paid by the supplier or the employer.
- The provider of Visa Facilitation services applies VAT to the Service fee charged by facilitator from customer. The consideration for the supply of visa facilitation services is the recharge of expenses such as typing fees, medical tests and issuance of employee Emirates IDs. The consideration excludes the employee's salary, annual flight allowance and any other monetary benefits, as these are the obligation of the Customer.

FTA Clarifies Changes in the VAT Treatment of the Performance of a Director's Function by a Natural Person

On 13 May 2024, the FTA published VAT Public Clarification - VATP037, which clarifies changes in the treatment of the performance of a director's function by a natural person as a supply of services for VAT purposes.

With effect from 1 January 2023, the performance of a Director's function, by a natural person and for a remuneration (monetary or in kind), on a Board of Directors of any government or private sector entity, shall not be considered to be a supply of services for VAT purposes.

Prior to 1 January 2023, the general rule was that services provided by Directors, whether the function was performed by a natural person or a legal person, were considered to be services for VAT purposes.

FTA Enhances EmaraTax Portal for Seamless Corporate Tax Registration

FTA has modified the Corporate Tax registration process, enabling foreign businesses to register for Corporate Tax in the UAE. This new update allows the user to a new entity sub-type for foreign businesses with enhanced options, ensuring that international enterprises can seamlessly comply with local tax regulations.

RAK ICC is now officially listed on the FTA EmaraTax Portal for corporate tax registration.

Comprehensive Economic Partnership Agreement (CEPA) between the United Arab Emirates and the Republic of India

Following an article published by the Government of Dubai on 7 May 2024, Customs tariff applied on imported goods originating from India when exported directly to the UAE shall be in accordance with the Categories listed in Annex (B/2) of the Agreement for (2024-2025) from 1/5/2024 to 30/4/2025.

- Customs duties on products listed in Category (A) shall continue to be eliminated.
- Customs duties on products listed in Category (C) shall be levied at 2% of the goods value.
- Customs duties on products listed in Category (E) shall be levied at 3.5% of the goods value.
- Customs duties on products listed in Category (TR) shall be levied in accordance with Annex (B/2).
- Products listed in Category (F) shall continue to be subject to applicable Customs tariffs

This Policy shall become effective as of May 1st 2024. All concerned customs units should implement its provisions within their scope of competence

The UAE and Qatar Sign Agreement on Avoidance of Double Taxation

On 30 May 2024, the State of Qatar and the UAE signed an agreement aimed at avoiding double taxation and preventing fiscal evasion concerning income taxes.

The agreement will contribute to supporting international standards of transparency through the exchange of documented financial information, which comes in light of strengthening bilateral economic relations between the two countries, and fully protects companies and individuals from direct or indirect double taxation.

The agreement aims to conclude tax treaties that eliminate all forms of double taxation between the two countries.

New Tax Treaty between the Czech Republic and the UAE has Entered into Force:

On 13 May 2024, the UAE and Czech Republic entered into force to replace the 1996 treaty with the 2023 treaty, applicable as from 1 January 2025.

The treaty covers various topics such as Czech income tax and the UAE income tax and corporate income tax, residential status, service PE, Withholding Tax Rates, Capital Gains, Double Taxation Relief and Entitlement to Benefits.

"On 30 May 2024, the State of Qatar and the UAE signed an agreement aimed at avoiding double taxation and preventing fiscal evasion concerning income taxes."

Papua New Guinea Looking to Negotiate Tax Treaty with the UAE

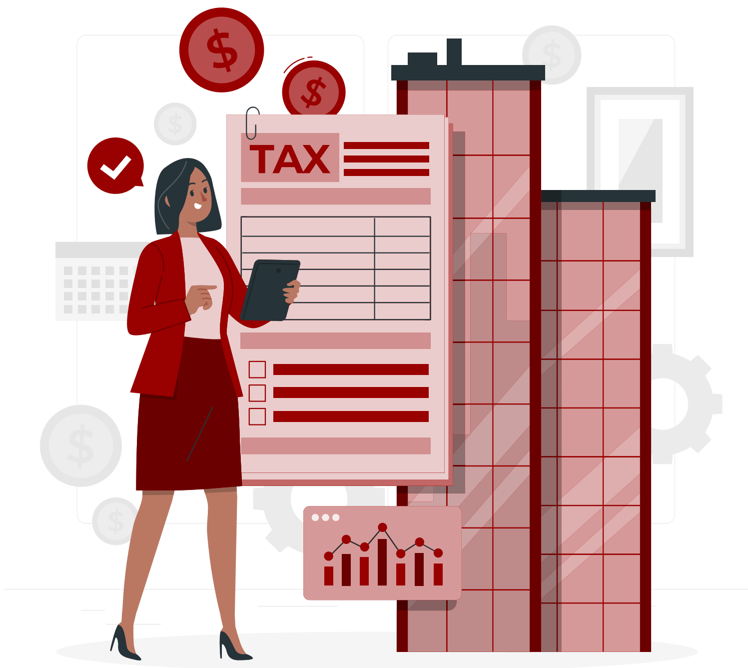
According to a recent release from the International Trade and Investment Ministry of Papua New Guinea, officials from Papua New Guinea and the UAE met on the margins of the Annual Investment Meeting (AIM) Congress, which was held from 7 to 9 May 2024. During the meeting, the two sides discussed the strengthening of trade and economic relations including Papua New Guinea's interest in the negotiation of an income tax treaty. Any resulting treaty would be the first of its kind between the two countries and must be finalized, signed, and ratified before entering into force.

State of Qatar

Qatar and Saudi Arabia Sign Agreement on Avoidance of Double Taxation

According to a release published by the Qatar News Agency, on 30 May 2024, officials from Qatar and Saudi Arabia signed an income tax treaty on the avoidance of double taxation, particularly taxes on income, and the prevention as well as avoidance of tax evasion.

The treaty is the first of its kind between the two countries and will enter into force after the ratification instruments are exchanged.



Sultanate of Oman

Tax Treaty between Ireland and Oman Signed

On 30 May 2024, according to the Oman News Agency. the Sultanate of Oman and the Republic of Ireland signed an agreement for the avoidance of double taxation. The agreement pertains to taxes on income and the prevention of tax evasion between the governments of the two countries.

The agreement provides legal protection for investors, to spare them the imposition of double taxes. It also regulates the mechanisms of tax application in a manner that enhances investments and trade exchange between the two countries.

Kingdom of Saudi Arabia

RETT implementing regulations amended

On 3 May 2024, Saudi Arabia’s Zakat, Tax and Customs Authority (ZATCA) published in the official gazette amendments to the Real Estate Transaction Tax (RETT) implementing regulations. The key changes include the expansion of the RETT exemption relating to real estate investment funds, guidance on the date of transfer for RETT purposes in relation to Build-Own-Operate-Transfer (BOOT) contracts, and a new provision regarding the change in ownership restriction due to a public offering.

Taxpayers dealing with real estate particularly those making supplies of residential and commercial real estate should consider the potential implications of the amendments to the RETT Implementing Regulations.

Saudi Cabinet Approves Pending Tax Treaty with Slovak Republic

On 14 May 2024, the Saudi Cabinet approved the ratification of the pending income tax treaty with the Slovak Republic.

The treaty, signed 13 November 2023, is the first of its kind between the two countries and will enter into force after the ratification instruments are exchanged. It will enter into force on the first day of the third month after the ratification instruments are exchange.

"On 14 May 2024, the Saudi Cabinet approved the ratification of the pending income tax treaty with the Slovak Republic."

Others

OECD

OECD Updates Guidance on Country-by-Country Reporting

The OECD has published an updated version of its Guidance on the Implementation of CbC Reporting, approved on 24 May 2024. The latest version of the guidance, which is available in English and French, includes new guidance concerning the treatment of dividends for purposes of "profit (loss) before income tax" in Table 1, which replaces previous guidance issued in September 2018.

Inclusive Framework members are encouraged to apply this guidance as soon as possible, taking into account specific domestic circumstances and, in any event, this guidance applies to all reporting fiscal years of MNE groups commencing on or after 1 January 2025.

BEPS Inclusive Framework Commits to Resolving Remaining Issues to Start Signing of Multilateral Convention for Amount A of Pillar One by End of June 2024

The OECD has issued a statement following the BEPS Inclusive Framework meeting held from 28 to 30 May 2024, including that the Inclusive Framework is nearing the completion of negotiation on a final package on Pillar One. The 16th meeting of the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) had more than 400 delegates representing 140 delegations (including 127 countries and jurisdictions and 13 observers).

This includes the text of the Multilateral Convention (MLC) for Amount A and a framework for Amount B, with the goal of reaching a final agreement in time to open the MLC for signature by the end of June. The statement also notes plans for a signing ceremony for the Subject to Tax Rule that will be held in Paris on 19 September 2024.

India

New functionality in Annual Information Statement (AIS) rolled out for taxpayers

Income Tax Department has now rolled out a new functionality in AIS to display the status of information confirmation process. This will display, whether the feedback of the taxpayer has been acted upon by the Source, by either, partially or fully accepting or rejecting the same. In case of partial or full acceptance, the information is required to be corrected by filing a correction statement by the Source. The following attributes shall be visible to the taxpayer for status of Feedback confirmation from Source.

- Whether feedback is shared for confirmation
- Feedback Shared On
- Source Responded On
- Source Response

This new functionality is expected to increase transparency by displaying such information in AIS to the taxpayer. This is another initiative of the Income Tax Department towards ease of compliance and enhanced taxpayer services.

India cuts windfall tax on petroleum crude

The Indian government has cut the windfall tax on petroleum crude to 5,200 Indian rupees ($62.33) per metric ton from 5,700 rupees, effective on June 1. The tax, which is revised every fortnight, remains unchanged at zero for diesel and aviation turbine fuel.

Previously, on 16 May 2024, the windfall tax was reduced on petroleum to 5,700 rupees per metric ton from 8,400 rupees.

The tax is levied in the form of Special Additional Excise Duty (SAED).

Singapore

IRAS Guidance on GloBE Rules and Domestic Top-up Tax and their Implementation in Singapore

The Inland Revenue Authority of Singapore (IRAS) has published guidance on the Global Anti-Base Erosion (GloBE) Rules and Domestic Top-up Tax (DTT). As part of Budget 2024, Singapore announced that it will implement the GloBE Income Inclusion Rule (IIR) and a domestic minimum top-up tax from financial years starting on or after 1 January 2025. The implementation of the Undertaxed Profits Rule (UTPR) will be considered at a later stage.

The GloBE Rules comprise two rules - the Income Inclusion Rule ("IIR") and the Undertaxed Profits Rule ("UTPR"). The IIR is the primary rule. It imposes a top-up tax on a relevant parent entity of an MNE group with respect to its ownership interests in a low-taxed constituent entity ("LTCE") that has an ETR (determined for the MNE Group on a jurisdictional basis) below 15%.

The IIR and DTT will apply to MNE groups with annual revenues of at least €750 million in the consolidated financial statements of the ultimate parent entity ("UPE") in at least two out of the four financial years immediately preceding the financial year in which the IIR and DTT would apply.

Singapore Notes CRS Return Filing Deadline and Updated CRS Entity Classification Toolkit

The Inland Revenue Authority of Singapore (IRAS) has published updates to its Common Reporting Standard (CRS) Overview and Latest Developments in regard to CRS return filing and the CRS entity classification self-review toolkit.

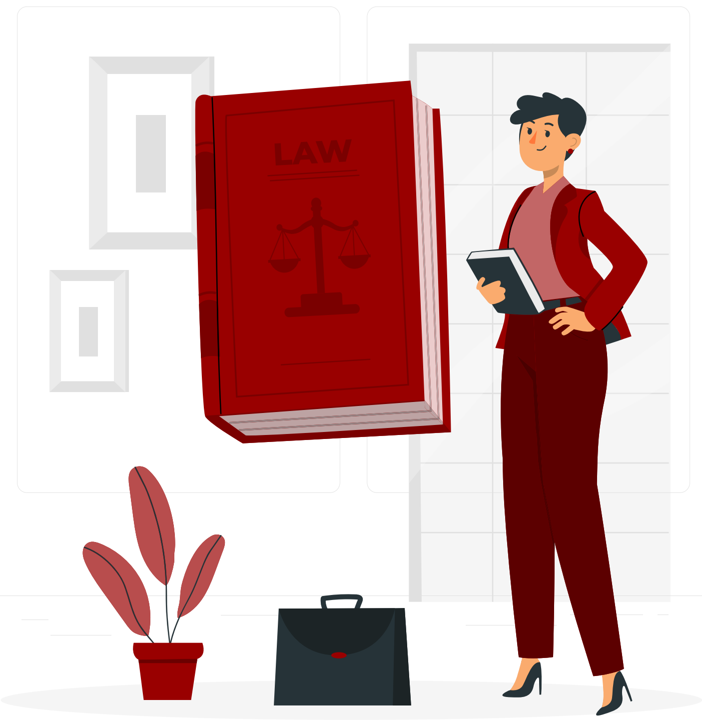
All Reporting SGFIs must submit their CRS return(s) to IRAS, setting out the required information in relation to every Reportable Account that was maintained in calendar year 2023, by 31 May 2024.

Hongkong

Hong Kong Legislative Council Approves Legislation for Two-Tiered Standard Rates Regime for Individuals and Other 2024-25 Budget Measures

On 22 May 2024, the Hong Kong Inland Revenue Department announced that the Legislative Council approved for the implementation of certain 2024-25 budget measures, which includes:

- Implementing a two-tiered standard rates regime for salaries tax and tax under personal assessment starting from the year of assessment 2024/25 with standard rate of 15 per cent on the first $5 million of net income while the portion exceeding $5 million will be subject to the standard rate of 16 per cent
- Reducing salaries tax, tax under personal assessment and profits tax for the year of assessment 2023/24 by 100 per cent, subject to a ceiling of $3,000 per case; and
- Allowing an additional deduction ceiling amount of $20,000 for home loan interest or domestic rents, on top of the basic deduction ceiling ($100,000), for a taxpayer if specified conditions



United States

IRS Reminds Taxpayers Living and Working Abroad of 17 June Deadline for 2023 Tax Returns

The U.S. Internal Revenue Service (IRS) has issued a notice reminding taxpayers living and working abroad of the 17 June 2024 deadline for filing 2023 tax returns, along with related guidance.

This deadline applies to both U.S. citizens and resident aliens abroad, including those with dual citizenship. 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 with respect to the estimated tax installment payments due on or before 15 April 2024, or on or before 15 May 2024 in the case of a fiscal year taxpayer with a taxable year beginning in February 2024.

United Kingdom

Non-resident companies filing tax returns

HMRC has updated its guidance on the corporation tax online service to highlight an issue applying to non-resident companies. Some non-resident companies which do not have a UK permanent establishment have incorrectly claimed the small profits rate of corporation tax or marginal relief in their returns. Where an error has been made in a return, HMRC will correct the return and issue a notice of correction.

To avoid the error happening, the company should use type 2 (close investment-holding company) in box 4 of the return. The corporation tax online service will be updated in April 2025 to include a new company type for non-resident companies.

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- Updating of Backlog Accounts
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TAX

Direct Tax

- UAE Corporate Tax
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  - » Tax Compliance
  - » Tax Advisory
  - » Tax Training
- Transfer Pricing [TP]
  - » Country by Country Reporting [CbCR]
  - » TP Local File and Master File
  - » TP Advisory
- International Tax
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Indirect Tax

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Company Incorporation

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- Offshore Registered Agent –JAFZA
- PRO Service

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Company Setup

INCORP is our newly rebranded version of the Company Incorporation Department under the Emirates Chartered Accountants Group (ECAG) trademark. Since 2005, we have been delivering premium and pragmatic business setup consultations in the UAE, Bahrain, India, and the UK.As a leading professional company incorporation consultant, we offer tailored services with seamless solutions, practical guidance, and proactive insights to local and expatriate business investors from all over the world. We are highly committed to consistently delivering high-quality services to all your business needs

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- **United Auditing (Audit Division)**
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