



# Tax Updates

October 2023

## Dear Readers,

"Learning is not attained by chance; it must be sought for with ardor and attended to with diligence."

As we embark on the October 2023 issue of our monthly tax updates, we emphasize the importance of continuous learning in the ever-evolving field of taxation. Knowledge is not a choice but a necessity in this domain where change is constant.

In this month's issue, our team of experts has put together a comprehensive collection of tax updates that are particularly relevant to businesses. These insights are invaluable, not only for the success of your business but also for the peace of mind and confidence of your stakeholders.

In addition to these topics, we are continuously monitoring developments related to taxation, policy changes, and market trends, all of which could impact your business. This knowledge equips us to make informed decisions and maintain our competitive edge.

I would like to extend my gratitude to our dedicated tax team who are actively involved in our ongoing success. Your hard work, dedication, and commitment to excellence make a significant difference in our ability to thrive in this dynamic environment.

I encourage everyone to read our monthly issues carefully and engage with our tax experts to address any questions or concerns. Our commitment to transparency and compliance remains unwavering.

Thank you for being a part of Emirates Chartered Accountants Group's mission to make tax updates a stepping stone to your success and we look forward to your feedback and contributions as we strive for excellence and corporate responsibility.

**CA Manu Palerichal**  
Partner & CEO



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### **UAE Federal Tax Authority provides Corporate Tax guide for non-resident persons**

On 9 October 2023, the UAE Federal Tax Authority has published a Corporate Tax guide for non-resident Persons - CTGNRP1. The guide provides general guidance to natural persons or juridical persons who are not considered Resident Persons for corporate tax purposes and who derive income from the UAE, to help them understand whether they are subject to tax in the UAE as a non-resident person.

It provides an overview of who is a non-resident person and the income of non-resident person falling under the purview of corporate tax. Additionally, it outlines the corporate tax obligations of a non-resident person.

### **UAE Ministerial Decision on the Issuance of Tax Residency Certificate**

On 16 October 2023, the UAE Ministry of Finance has published Ministerial Decision No. 247 on the issuance of tax residency certificates for the purposes of international agreements.

A Person who meets the conditions of tax residency in the State pursuant to the relevant International Agreement may make an application to the Authority to obtain a Tax Residency Certificate

for the purposes of that International Agreement.

The application shall be submitted in the form and manner specified by the Authority and shall include all necessary information.

### **UAE Federal Tax Authority provides Corporate Tax guide for exempt income**

The UAE Federal Tax Authority has published a Corporate Tax Guide for Exempt Income: Dividends and Participation Exemption – CTGEXI1, dated 16 October 2023. This guide provides general guidance to taxable persons, helping them to understand the exemptions in the Corporate Tax Law in respect of dividends and other profit distributions, such as the participation exemption.

This guide explains some of the terms and conditions in the Corporate Tax Law. Additionally, it covers what "Dividends" and other profit-sharing means, which earnings (and related expenses) aren't subject to tax, who can qualify for these exemptions, how these exemptions work, and how they affect groups of taxpayers.

## UAE Federal Tax Authority Provides Transfer Pricing Guide CTGTP1

On 23 October 2023, the UAE Federal Tax Authority has published a Corporate Tax Guide on Transfer pricing CTGTP1. This guide provides general guidance on the Transfer Pricing regime in the UAE with a view to making the provisions of the Transfer Pricing regulations understandable.

It provides an overview of the Transfer Pricing rules and procedures, determination of the Related Party transactions and what is and how to determine Arm's Length basis. Additionally, it clarifies on compliance required including Transfer Pricing documentation.

### UAE Cabinet Approves Pending Tax Treaty with Tanzania

On 9 October 2023, the United Arab Emirates Cabinet of Ministers approved the pending income tax treaty with Tanzania.

The treaty signed on 27 September 2022, is the first of its kind between the two countries and will enter into force after the ratification instruments are exchanged.

### ADGM publishes amendments to its Beneficial Ownership and Control Regulations

Abu Dhabi Global Market ('ADGM'), the international financial centre in Abu Dhabi has issued an updated version of the Beneficial Ownership and Control Regulations 2022 ('BOC Regulations') which repealed and replaced the existing Beneficial Ownership and Control Regulations 2018.

These new BOC Regulations aim to ensure that ADGM remains aligned with the requirements of the Organisation for Economic Co-operation and Development ('OECD') and the standards of the Financial Action Task Force ('FATF') as well as the federal requirements for anti-money laundering, counter-terrorism financing and financing of illegal organisations and beneficial ownership.

### UAE FTA clarifies Reverse Charge Mechanism on electronic devices among registrants

On October 8, 2023, the public clarification was released pursuant to the VAT Cabinet Decision no. 91 of 2023, which delves into the intricacies of the Reverse Charge Mechanism for Electronic Devices among registrants.

This clarifying document not only demystifies the Reverse Charge Mechanism but also provides a comprehensive list of electronic devices falling under this provision. For businesses dealing with electronic devices, this guidance offers a roadmap for better compliance and informed decision-making



## **UAE Ministry of Finance Issued Cabinet and Ministerial Decision on Free Zone regulations**

On 3rd November 2023, the UAE Ministry of Finance issued following regulations in respect of determining income of a free zone person:

- Cabinet Decision No. 100 on Determining Qualifying Income of 2023
- Ministerial Decision No. 265 of 2023 Regarding Qualifying Activities and Excluded Activities.

The previously issued Cabinet Decision No. 55 of 2023 and Ministerial Decision No. 139 of 2023 have been repealed by Cabinet Decision No. 100 of 2023 and Ministerial Decision No. 265 of 2023 respectively.

The new decisions inter-alia, expands the scope of 'Qualifying Income' to include":

- income derived from ownership and exploitation of 'Qualifying Intellectual Property' and
- Trading of Qualifying Commodities.



## **NBR's Inspection Campaign Results in Multiple Violations and Potential Legal Actions**

The National Bureau for Revenue (NBR) conducted 204 inspection visits within local markets, leading to the discovery of violations requiring administrative fines under the VAT & Excise Law. These inspections also uncovered suspected VAT and excise evasion, possibly leading to business closures and legal actions.

The NBR is committed to taking legal action against violators, including potential imprisonment and significant fines. These campaigns are part of ongoing efforts to protect consumer rights, ensure business compliance, and enforce the Digital Stamps Scheme on cigarette and waterpipe tobacco "molasses" products.



### **Russian government approves pending tax treaty with Oman**

On 18 October 2023, the Russian government approved the draft law for the ratification of the pending income tax treaty with Oman, which was signed on 8 June 2023. An earlier treaty was signed in 2001 but was never ratified.

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.

### **Amendment to Oman VAT Executive Regulations**

The Oman Tax Authority (“OTA”) issued Decision No. 521/2023 (“Decision”) amending the Oman Value Added Tax (“VAT”) Executive Regulations (“Executive Regulations”) to the Oman VAT Law. The Decision was published in the Official Gazette on 29 October 2023 and became effective on 30 October 2023

The Decision specifies additional cases and conditions for VAT refund. This is the second amendment to the Executive Regulations since its implementation on 16 April 2021.



### **Qatar ratifies pending protocol to tax treaty with Ukraine**

Qatar published the decree for the ratification of the pending protocol to the 2018 income tax treaty with Ukraine on 14 September 2023. The protocol, signed 2 September 2021, is the first to amend the treaty and includes updates to the preamble and 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 once the ratification instruments are exchanged and will apply from 1 January of the year following its entry into force.

## **Egypt Ratifies Pending Tax Treaty with Qatar**

On 19 October 2023, Egypt published Decision No. 254 of 2023 in the Official Gazette, which provides for the ratification of the pending income tax treaty with Qatar.

The treaty, signed 27 February 2023, is the first of its kind between the two countries. The treaty will enter into force 15 days after the ratification instruments are exchanged and will apply from 1 January of the year following its entry into force.

## **Qatar removed from EU 'grey list'**

On 17 October 2023, the European Union's Economic and Financial Affairs Council formally issued the conclusions on the revised EU list of noncooperative jurisdictions for tax purposes and based on such conclusions, Qatar has been removed from the EU state-of-play document.

Qatar fulfilled its commitments to implementing tax good-governance principles by amending a harmful tax regime- the foreign-source income exemption (FSIE).



## **ZATCA proposes new amendments to Income Tax Law**

On 25 September 2023, Zakat, Tax, and Customs Authority (ZATCA) published draft of proposed amendments to the income tax law for public consultation. The proposed amendments relate to withholding taxes and the deduction of research and development (R&D) expenses for income tax purposes.

The due date to submit comments and feedback on the proposed amendments is 25 October 2023.



## Draft Zakat and Tax Procedural Law for Public Consultation

The Zakat, Tax, and Customs Authority (ZATCA) has published two draft tax laws for public consultation.

- A draft income tax law reforms the income tax legislation. The primary goals are to “encourage Foreign Direct Investment (FDI) without impeding overall economic advancement, foster transparency, and encourage voluntary compliance among taxpayers.
- A draft Zakat and tax procedural law aims to unify and facilitate provisions for Zakat and different tax types; specify the rights and obligations of both ZATCA and the Zakat-payer/ taxpayer; promote transparency, clarity, and voluntary compliance; as well as align with international developments and best practices.

The due date to submit comments and feedback on the draft through the public consultation platform is 25 December 2023.



## OECD

### Pillar Two: Multilateral Convention for Implementation of Subject to Tax Rule

On 3 October 2023, the OECD/G20 Inclusive Framework on BEPS (inclusive framework) published a multilateral convention to facilitate the implementation of the subject to tax rule (STTR) as part of the Pillar Two global minimum tax rules (“Pillar Two”), together with an accompanying explanatory statement.

Inclusive framework members that apply nominal corporate income tax rates below 9% have made a political commitment to implement the STTR into their bilateral tax treaties with developing country members when requested to do so.

### EU CBAM First Reporting Period

The European Union (EU) has implemented the CBAM regulation, targeting specified imports of goods in six emissions-intensive sectors: electricity, iron and steel, cement, aluminum, fertilizers, and hydrogen.

The CBAM is effective from October 1, 2023, with a transitional period in place until December 31, 2025, during which EU importers have reporting obligations only.

The first quarterly report is due by January 31, 2024. It applies to the EU from non-EU countries including the Middle East.

## **IASB Amendments to IFRS for SMEs Accounting Standard in Relation to Pillar Two**

On 29 September 2023, the International Financial Reporting Standards (IFRS) Foundation announced that the International Accounting Standards Board (IASB) has amended the IFRS for SMEs Accounting Standard in relation to the Pillar 2 global minimum tax. The amendments to the IFRS for SMEs Accounting Standard are based on the amendments to IAS 12 Income Taxes issued in May 2023. These amendments have resulted from the introduction of the Organisation for Economic Co-operation and Development's (OECD) Pillar Two model rules.

The amendments provides a temporary relief from accounting deferred taxes arising from the implementation of Pillar two model rules and state that companies must disclose information about how Pillar Two legislation affects their income tax and finances, as per the Standard.

Companies can benefit from the temporary exception in this amendment immediately. They are required to provide the disclosures set out in the amendments for annual reporting periods beginning on or after 1 January 2023.

On 29 September 2023, the IFRS Foundation announced that the International Accounting Standards Board (IASB) has amended the IFRS for **SMEs Accounting Standard in relation to the Pillar 2** global minimum tax

## **OECD Releases Multilateral Convention to Implement Amount A of Pillar One**

The OECD has announced the release of the Multilateral Convention to Implement Amount A of Pillar One (MLC) for reallocation of taxing rights to market jurisdictions with respect to a share of the profits of the largest and most profitable multinational enterprises (MNEs) operating in their markets, regardless of their physical presence.

The MLC also ensures the repeal and prevents the proliferation of digital services taxes and relevant similar measures, secures mechanisms to avoid double taxation, and enhances stability and certainty in the international tax system. Along with the MLC, the OECD has also released a Minimum Tax Implementation Handbook that provides an overview of the key provisions of the rules and the considerations to be taken into account by tax policy and administration officials and other stakeholders in assessing implementation options.

## **India**

### **TCS rule modification from October 1, 2023**

The new rates of TCS will come into effect from October 1, 2023, necessitating attention from businesses.

Under the Reserve Bank of India's Liberalized Remittance Scheme, individuals can send up to US\$250,000 annually. However, from October 1, 2023, a TCS of 20 percent will be imposed on international remittances exceeding INR 700,000 (US\$8430.18) within a fiscal year, excluding medical and educational expenses.

### **E-filing of form 10F by non-residents without PAN**

The Central Board of Direct Taxes (CBDT) has introduced a user-friendly process on the income tax portal, allowing non-residents to e-file Form 10F without the prerequisite of obtaining a PAN.

Under this new initiative, a dedicated option labeled 'Non-Residents not holding and not required to have PAN' has been integrated into the income tax portal's registration tab.

### **Changes to Perpetual Systematic Investment Plans with Time Limits**

From October 1, 2023, investors must specify a time for their mutual fund investments, with the longest permissible duration being 30 years.

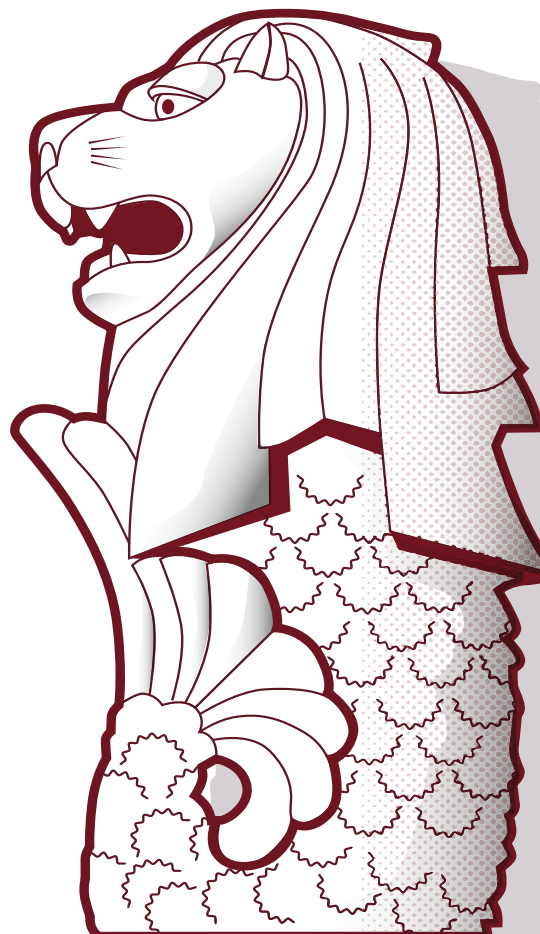
It's important to note that existing perpetual SIPs and those initiated before October 1, 2023, remain unaffected; these changes solely apply to SIPs initiated after this date.

## Singapore

### **Singapore sets out eligibility criteria for International Carbon Credits under carbon tax regime**

Singapore's Ministry of Sustainability and the Environment has issued a release on the eligibility criteria for carbon credits under the International Carbon Credit (ICC) Framework that can be used by local companies to offset their emissions liable under Singapore's carbon tax regime. This ICC Framework will allow carbon tax-liable companies to use eligible ICCs to offset up to 5% of their taxable emissions from 1 January 2024.

The eligibility criteria include that ICCs must represent emissions reductions or removals that occur within the timeframe specified under Article 6 of the Paris Agreement, between 1 January 2021 and 31 December 2030, and must meet seven principles that demonstrate high environmental integrity.



## Hong Kong

### **Draft law to refine FSIE regime for disposal gains submitted to Legislative Council**

On October 13, 2023, a proposed law was published in Hong Kong SAR's official gazette, and it is discussed in the Legislative Council on October 18, 2023. This law, called the Inland Revenue (Amendment) (Taxation on Foreign-sourced Disposal Gains) Bill 2023, aims to update the foreign-sourced income exemption rules.

The key changes include expanding the types of assets covered by these rules, except for those gained by traders, and introducing new relief for transferring assets within a group. These changes are expected to become effective from January 1, 2024.

### **Hong Kong provides guidance on tax certainty enhancement scheme on the non-taxation of onshore gains on**

The Hong Kong Inland Revenue Department has provided guidance in relation to the pending Inland Revenue (Amendment) (Disposal Gain by Holder of Qualifying Equity Interests) Bill 2023, which provides for the introduction of a tax certainty enhancement scheme to provide greater certainty of the non-taxation of onshore gains on the disposal of equity interests that are of a capital nature.

If the Onshore Disposal Gains are determined to be capital in nature after the "badges of trade" analysis, they are not subject to profits tax. If they are determined to be revenue in nature, they are subject to profits tax.

## United Kingdom

### **HMRC published further draft amendments to Pillar Two global minimum tax legislation**

On 27 September 2023, the UK tax authorities, HM Revenue & Customs (HMRC), published for technical consultation additional updated draft legislation relating to the UK's implementation of the OECD/G20 inclusive framework's Pillar Two model rules. Comments were invited upto 25 October 2023.

The additional draft legislation includes amendments intended to reflect the latest agreed administrative guidance issued by the inclusive framework in July 2023, for example on further agreed safe harbors, the treatment of tax credits, and transitional simplified jurisdictional reporting rules for Pillar Two information returns.

## China

### China extends deed tax exemption for corporate restructuring through 2027

China's Ministry of Finance and State Administration of Taxation have jointly issued Announcement No. 49 of 2023, which extends the exemption from deed tax on immovable property involved in qualifying corporate restructuring.

Deed tax is a transfer tax imposed on the transfer of land (use rights) or buildings, with rates generally ranging from 3% to 5% depending on the province. Previously extended to 31 December 2023, the exemption is extended by Announcement No. 17 of 2021 for the period 1 January 2024 to 31 December 2027.



**Deed tax** is a transfer tax imposed on the transfer of land (use rights) or buildings, with rates generally ranging from 3% to 5% depending on the province.

## Cyprus

### Cyprus issues draft legislative proposal on Pillar Two Global Minimum Tax

On October 3, 2023, Cyprus's Ministry of Finance introduced a draft legislative proposal called "The Safeguarding of a Global Minimum Level of Taxation of Multinational Enterprise Groups and Large-Scale Domestic Groups in the Union Law of 2023."

This proposal aims to establish a minimum tax rate of 15% for multinational enterprise (MNE) groups with annual consolidated revenue of at least EUR 750 million in at least two of the preceding four fiscal years. It includes the implementation of the Pillar 2 income inclusion rule (IIR) and the undertaxed payment/profit rule (UTPR). Additionally, a qualified domestic

minimum top-up tax (QDMTT) is being introduced for members of relevant groups, referred to as the appropriate domestic supplementary tax by Cyprus. Feedback on this proposal will be accepted until October 31, 2023.

The law will take effect for accounting periods starting on or after December 31, 2023, concerning the Income Inclusion Rule, and for accounting periods beginning on or after December 31, 2024, for the Undertaxed Profits Rule.

## Egypt

### **Egypt provides VAT zero-rating for e-commerce services provided to non-residents**

The Egyptian Ministry of Finance has reportedly issued a regulation providing VAT zero-rating for the supply of e-commerce services to non-resident recipients. To qualify, a supplier must provide a copy of the e-invoice containing all the required details as well as copies of the payment confirmation and the service contract between the parties. If the e-commerce service is used in the local Egyptian market, it will be subject to standard VAT rules.

The Egyptian Ministry of Finance has reportedly issued a regulation providing **VAT zero-rating** for the supply of e-commerce services to non-resident recipients.

## Brazil

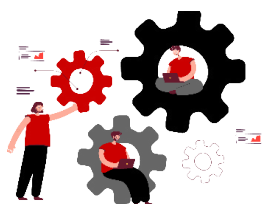
### **Brazil finalizes regulations for new Transfer Pricing regime including documentation requirements**

Brazil's Federal Revenue Department (RFB) has issued Normative Instruction RFB No. 2161 of 28 September 2023, which regulates the country's new transfer pricing regime. Brazil's new transfer pricing regime was introduced by Provisional Measure No. 1.152 of 28 December 2022, which was converted into law-by-Law No. 14.596 of 14 June 2023.

The new law expressly incorporates the arm's length principle into the Brazilian legal system in accordance with OECD standards. The new regime is mandatory from 2024, although taxpayers may elect to apply the new regime for 2023 as well



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## TAX

### Direct Tax

- UAE Corporate Tax
  - » First Time Adoption
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- Transfer Pricing [TP]
  - » Country by Country Reporting [CbCR]
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- International Tax
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  - » Ultimate Beneficial Owner Regulation [UBO]

### Indirect Tax

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  - » Advisory
  - » Tax Agency Service
  - » Pre- Tax Audit
  - » VAT Return Filing & Refund
  - » Registration/De-registration
  - » Representation to FTA
- Excise Tax
- Customs Tax

### Company Incorporation

- Company Formation
  - » Mainland
  - » Free Zone
  - » Offshore
- Local | Corporate Sponsorship
- Company Liquidation
- Offshore Registered Agent –JAFZA
- PRO Service



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