



Tax Updates

September 2023

Dear Readers,

As we step into the autumnal embrace of October, we are delighted to present to you another edition of our Monthly Tax Updates. This month's issue brings noteworthy developments in the tax arena that we are eager to share with you.

At ECAG, our unwavering mission is to furnish you with the most current, insightful, and practical tax information available. We wholeheartedly recognize that navigating the intricate landscape of taxation can be a persistent challenge, and our commitment is to equip you with the knowledge necessary to make informed decisions.

We steadfastly believe that knowledge empowers individuals and organizations alike, and our primary objective is to empower you with the information essential to thrive in an evolving tax terrain. Your triumph is our triumph, and our dedicated team is resolute in serving as your trusted source for tax insights.

We suggest you immerse yourselves in the contents of our September 2023 Tax Updates, engage thoughtfully with the materials, and kindly share your invaluable feedback. Your input plays a pivotal role in our continual efforts to refine and customize our content to meet your specific needs and preferences.

We want to express our sincere thanks for placing your trust in us as you navigate the world of taxation. Together, with unwavering confidence and fortified by our wealth of knowledge and expertise, we are committed to facing the challenges and intricacies of taxation while always adhering to legal compliance. Rest assured, we remain steadfastly dedicated to being your reliable guides in the realm of tax matters for your business.

CA Manu Palerichal
Partner & CEO



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Special reverse charge mechanism to the local supply of electronic devices

On 30 August 2023, The Ministry of Finance has published Cabinet Decision No. 91 of 2023 on the application of a new Reverse Charge Mechanism (the 'New Mechanism') on the local supplies of electronic devices, for Value Added Tax purposes.

The New Mechanism is applicable on the local supplies of electronic devices to VAT registered recipients having the intention to resell or use the goods to produce or manufacture electronic devices. The recipient of the electronic devices will have the responsibility of accounting for VAT on the value of the electronic devices and meeting all UAE VAT obligations resulting from the supply.

The New Decision was published in the official gazette on 30 August 2023 and will come into effect after 60 days from its publication date.

Implementation of Comprehensive Economic Partnership Agreements

Customs Notice No. (07/2023) and No. (08/2023) was issued on 31st August 2023 mentioning the implementation of the Comprehensive Economic Partnership Agreement between the United Arab Emirates and the Republic of Turkiye and the UAE and Republic of Indonesia, respectively, from 1st September 2023, based on the Federal Decree Law No. (91) and No. (178) of 2023.

Customs Notice concerning National system for tracking trucks and shipments

The Dubai Customs has issued Customs Notice No. (09/2023) on 14th September 2023 mentioning implementation of national tracking system on trucks and shipments from 1st November 2023, as part of its efforts to enhance the customs security system and facilitate trade by tracking the movement of cargoes and conveyances.



The Dubai Customs has issued **Customs Notice No. (09/2023)** on 14th September 2023 mentioning implementation of national tracking system on trucks and shipments

New Regulations on the Development of Real Estate Projects in Ras Al Khaimah

On 21 August 2023, the Ruler of Ras Al Khaimah issued Decree No. 12 of 2023, regulating the Real Estate Development sector in Ras Al Khaimah (the “New Law”). The New Law specifies the rights and obligations of master developers, sub-developers and purchasers of real estate development projects and applies to:

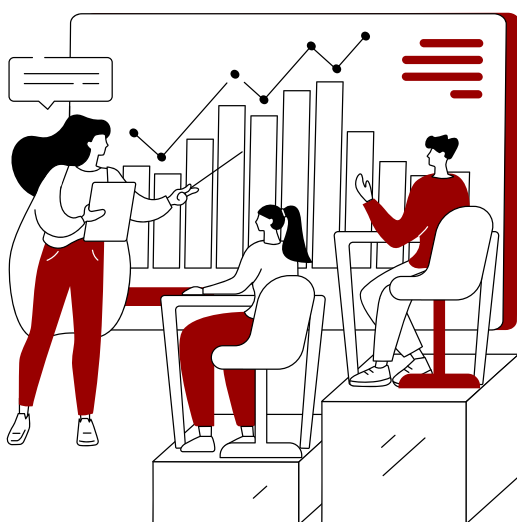
- all real estate developers that wish to conduct their development business in Ras Al Khaimah; and
- all properties which are located in the Emirate of Ras Al Khaimah, including any economic zones.

The New Law is effective from 60 days from the date of its publication in the official gazette.

UAE Federal Tax Authority Provides General Guide on Corporate Tax

On 11 September 2023, the UAE Federal Tax Authority (FTA) has published Corporate Tax – General Guide - CTGGCT1. The guide is designed to provide general guidance on Corporate Tax in the UAE.

It provides an overview of the main Corporate Tax rules and procedures, including the determination of the Corporate Tax base, the calculation of Corporate Tax, the filing of Corporate Tax Returns, and other related compliance requirements.



UAE Federal Tax Authority (FTA) has issued following decisions:

a. FTA Decision No. 11 of 2023:

Exempt Person shall submit an annual declaration, no later than (9) nine months from the end of the relevant Tax Period, which includes declaring the continuity of fulfilling the relevant exemption conditions stipulated in the Federal Decree-Law No. 47 of 2022

b. FTA Decision No. 12 of 2023:

Subsidiaries in which a Government Entity directly or indirectly owns at least 95% (ninety-five percent) ownership interest may form a Tax Group, subject to fulfillment of certain conditions.

c. FTA Decision No. 13 of 2023:

The conditions for conversion of financials when prepared in a currency other than the UAE Dirham.

Abu Dhabi Airports Free Zone collaborates with Masdar City Free Zone to provide new growth opportunities for businesses

As reported by Emirates 24\7 on 4 October 2023, Abu Dhabi Airports Free Zone (ADAFZ), a subsidiary of Abu Dhabi Airports, has announced a new partnership with Masdar City Free Zone.

The collaboration will mean that Masdar City Free Zone companies that establish operations within the Abu Dhabi Airports Free Zone will have the opportunity to lease warehouse and manufacturing space. As a world-class logistics partner, ADAFZ will also provide free zone branch licences at zero cost with registration & licensing for all companies who will operate from ADAFZ logistics and industrial areas, in addition to premium services and other incentives. Businesses will be able to hold licenses in, and benefit from, both free zones.



Key changes to the new Oman Labour Law

On 26 July 2023, New Labour Law came into effect with significant changes in order to further the country's objectives set out in its Vision 2040 national agenda. Following are some key changes introduced by the new law below.

- Conversion of fixed-term contracts to unlimited term contracts.
- The New Law changed the provisions pertaining to various categories of leave such as Sick leave, Paternity leave, Maternity leave and unpaid childcare leave, Unpaid special leave.
- The New Law now allows employers to temporarily assign employees to work for another employer.
- The New Law has changed the provisions of termination based on poor performance, Unfair Termination and Termination based on discrimination.
- Employers are expressly permitted to terminate employment contracts due to economic reasons.
- The New law has specify employers must share with the Ministry of Labour their yearly strategies for localizing their workforce and every company to create a plan for selecting and training Omani national employees for leadership positions, also it expressly permits the termination of non-Omani employees where the reason for termination is to replace them with an Omani national.
- Daily working hours have been reduced from 8.5 hours to 8 hours (40 hours per week) excluding breaks.

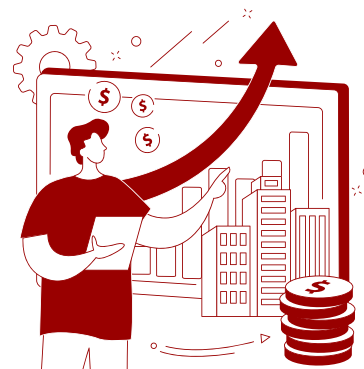


NBR Releases New VAT Deregistration Guideline in Bahrain

The National Bureau for Revenue (NBR) in Bahrain has released the first version of the Value Added Tax (VAT) deregistration guideline. This comprehensive guide is aimed at assisting taxpayers in Bahrain in the process of VAT deregistration. The VAT deregistration guideline can be accessed on the official website of the NBR.

The guideline provides taxpayers with detailed instructions and step-by-step guidance on the process of VAT deregistration. The guideline outlines the conditions under which a taxpayer is eligible for VAT deregistration. Taxpayers will find a checklist of the necessary documentation and forms required for VAT deregistration submission, and the NBR's review process.

The National Bureau for Revenue (NBR) in Bahrain has released the **first version of the Value Added Tax (VAT) deregistration guideline.**



The Central Bank of Bahrain issues new regulation in relation to investment services provided by family offices.

On September 14, 2023, the Central Bank of Bahrain (“CBB”) introduced the Family Office Services Module, an integral addition to Volume 4 (Investment Business) of the CBB rulebook. This module specifically pertains to companies that offer family office services, encompassing entities like wealth management and advisory firms specializing in tailor-made solutions for affluent families.



Amendments to Zakat and Income Tax By-Laws

The Minister of Finance in the Kingdom of Saudi Arabia (KSA) has issued Resolution No. 25 dated 8/1/1445H (26 July 2023), which will be effective from the date of publication in Umm Al-Qura on 30/2/1445H i.e. 15 September 2023, amending certain articles of the Tax by-laws and Zakat regulation.

The amendment clarifies that interest capitalized relating to capital assets is not to be considered in calculating limitation of interest expense. The higher rate of 15% for withholding tax on payments to related parties has been reduced to 5% in relation to payments for technical & consulting services and for international telecommunication services. The amendment clarifies that 5% withholding tax is applicable on international travels departing from KSA.

The amendment clarifies that interest capitalized relating to capital assets is not to be considered in calculating limitation of interest expense.



OECD

Public comments published on aspects of “Amount B” under Pillar One

On 20 September 2023, the OECD issued an announcement on the publication of responses to its 17 July 2023 invitation for public comments on a consultation document relating to the simplification of transfer pricing rules. The consultation document contains updated design elements of “Amount B” of Pillar One and outlines a new process for pricing baseline marketing and distribution activities in accordance with the arm’s length principle.

OECD Secretary-General Tax Report to G20 Leaders

The OECD has published the OECD Secretary-General Tax Report that was presented to G20 Leaders during the Summit held from 9 to 10 September 2023 in New Delhi, India. The report is mainly focused on developments regarding work on the two-pillar international tax package and tax transparency. The report also covers work on indirect tax, capacity building for developing countries, tax and crime, tax administration, tax policy and climate change, and BEPS project implementation.

In a further significant development, 138 Inclusive Framework members have also agreed to refrain from imposing newly enacted digital services taxes (DSTs) or relevant similar measures on any company before 31 December 2024, or the entry into force of the MLC if earlier, provided the signature of the MLC has made sufficient progress by the end of the year.

India

28% GST on online gaming will be implemented from October 1

The GST Council in its 51st meeting held in August 2023 decided it complete the process of making amendments in the relevant Acts needed for taxation on online gaming, casinos, and horse racing at the earliest and start taxing these items effective from October 1, 2023.

The Council also recommended that valuation of supply of online gaming and actionable claims in casinos may be done based on the amount paid or payable to or deposited with the supplier, by or on behalf of the player (excluding the amount entered into games/ bets out of winnings of previous games/ bets) and not on the total value of each bet placed.

Joint Statement of the 10th ASEAN Finance Ministers' and Central Bank Governors' Meeting (AFMGM)

On 25 August 2023, the 10th ASEAN Finance Ministers' and Central Bank Governors' Meeting was held, during which attendees discussed various issues including in the area of taxation.

The Meeting welcomed the progress of the ASEAN Forum on Taxation's (AFT) initiatives to support the completion and improvement of the network of bilateral tax agreements to address the issue of double taxation and encouraged ASEAN Member States (AMS) to expedite the completion and improvement of the network of bilateral tax agreements to improve investment climate in the region.



The GST Council in its 51st meeting held in August 2023 decided it complete the process of making amendments in the relevant Acts needed for **taxation on online gaming, casinos, and horse racing.**

China

China Extends Certain Individual Income Tax Preferential Policies

China's Ministry of Finance and State Administration of Taxation have jointly issued three announcements in August 2023 that extend the implementation of certain individual income tax preferential policies until December 2027.

1. Announcement No. 30 of 2023: The exclusion of annual year-end bonuses in calculating monthly salary income.
2. Announcement No. 31 of 2023: The ocean-going seafarers who have sailed on a ship for 183 days in a tax year, the reduction in taxable wage and salary income by 50% .
3. Announcement 32 of 2023: The individuals with annual income below CNY 120,000 are exempted from the obligation to declare and pay individual income

China extends reduced tax rate for companies Engaged in pollution prevention and Control

China's Ministry of Finance, State Administration of Taxation, National Development and Reform Commission, and Ministry of Ecology and Environment have jointly issued Announcement No. 38 of 2023, on 24 August 2023, which extends the preferential policy for a reduced enterprise (corporate) income tax rate for qualifying companies operating and maintaining equipment (facilities) used for pollution prevention and control to protect the environment.

The preferential policy includes a reduced tax rate of 15% instead of the standard 25% rate. Announcement No. 38 of 2023 replicates Announcement No. 60 with an effective period of 1 January 2024 to 31 December 2027.

China Extends Immediate Deduction for New Equipment and Tools

On 18 August 2023, China's Ministry of Finance and State Administration of Taxation have jointly issued Announcement No. 37 of 2023, which extends the immediate (current period) deduction of newly purchased equipment and tools with a cost not exceeding CNY 5 million.

Where the cost of qualifying assets exceeds CNY 5 million, the depreciation period can be shortened, or the method of accelerated depreciation can be adopted in accordance with Notice No. 75 of 2014 and Notice No. 106 of 2015.

China Extends VAT Exemption/Refund for Domestic R&D Equipment

China's Ministry of Finance and State Administration of Taxation have jointly issued Announcement No. 41 of 2023 on 28 August 2023, which provides for the extension of the VAT exemption/refund on domestically-produced research and development (R&D) equipment purchased by specified R&D institutions until 31 December 2027.

Brazil

Brazil introduces individual income tax bill affecting taxation of foreign investment income:

The bill was introduced under an urgent regime and must therefore be approved by the lower house of the Brazilian Congress within 45 days (14 October 2023) to avoid the suspension of the lower house's agenda.

The main modifications introduced by the bill include:

- The foreign investments by Brazilian residents will be reported annually and at tax rates range from 0% to 22.5% based on annual income.
- Profits of entities controlled by Brazilians abroad would be taxed annually, regardless of distribution.
- Trust assets must be declared by the settlor and will be taxed similarly to financial investments or foreign-controlled entities; transfers will be treated either as donations or inheritance.
- The bill repeals some tax exemptions and changes the methodology for calculating gains on foreign assets.

On 31 August 2023, the Brazilian government published a draft bill that would eliminate the corporate income tax deduction for interest on net equity (INE) distributions as from 1 January 2024.

Draft bill would eliminate corporate income tax deduction for interest on net equity

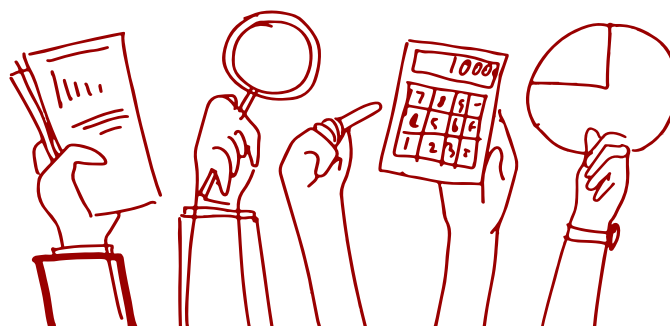
On 31 August 2023, the Brazilian government published a draft bill that would eliminate the corporate income tax deduction for interest on net equity (INE) distributions as from 1 January 2024.

If enacted, the bill would eliminate the deduction of interest on net equity paid or credited as a means of remunerating shareholders.

Taxpayers should monitor the progress of the bill through Congress and determine the impact the bill's provisions could have on their operations.

Provisional measure published regarding taxation of investment subsidies:

On 31 August 2023, the Brazilian government published Provisional Measure No. 1,185/2023 (PM 1,185), which provides that investment subsidies, such as state VAT (ICMS) incentives, will be subject to corporate income taxes (IRPJ/CSLL) and federal gross revenue taxes (PIS/COFINS) as from 1 January 2024. In addition, PM 1,185 introduces a new investment subsidy tax credit.



Hong Kong

Consultation paper on introduction of a new patent box tax incentive

On 1 September 2023, Hong Kong issued a consultation paper regarding the introduction of a new patent box tax incentive, proposing that eligible intellectual property (IP) income derived from eligible patents or patent-like IP assets be taxed in Hong Kong at a concessionary tax rate.

Subject to the views collected in a one-month consultation period ending on 30 September 2023, the proposed tax incentive will be codified by the first half of 2024.

Eligible IP assets under the proposed patent box tax incentive regime are patents, copyrighted software and plant-variety rights.



Germany

Federal Cabinet approves draft law expanding VAT exemptions in the financial sector

On 16 August 2023, Germany's Federal Cabinet approved a draft of the financing for the future Act, which includes significant adjustments to certain VAT exemptions applicable to the financial sector. Through these changes, the German legislator intends to eliminate Germany's competitive disadvantages within the EU and strengthen Germany as a location for investment funds. If the draft law is adopted, the new rules would come into force on 1 January 2024.

- VAT exemption for managing loans and loan collateral by syndicate lenders
- VAT exemption for the management of all alternative investment funds
- VAT exemption on various financial activities such as the management of private equity and venture capital funds.

Egypt

Decree modifies conditions nonresidents must meet to obtain residence permit

On 29 August 2023, Egypt's prime minister issued Decree No. 3326/2023, modifying the conditions that must be met by nonresidents wishing to obtain a residence permit in Egypt. Additionally, the decree grants a grace period of 3 months for individuals currently residing illegally in Egypt to legitimize their stay.

The decree will be effective from 13 September 2023.

Singapore

Singapore Updates Guidance on Preparing for GST Rate Change

On 4 September 2023, the Inland Revenue Authority of Singapore published updated guidance on preparing for GST Rate Change. Singapore increased its GST rate from 7% to 8% from 1 January 2023 and is further increasing the rate to 9% from 1 January 2024.

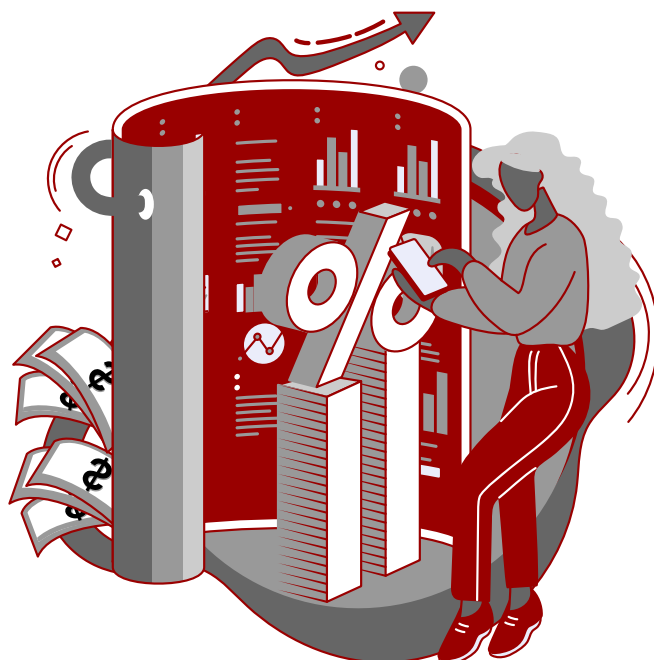
If an invoice is issued and payment is received for a supply on or after 1 January 2024, GST should be charged at 9% on the supply, unless an election was made to charge GST at 8% under the rate change transitional rules, subject to the conditions for the election.

Kenya

Draft Income Tax (Transfer Pricing) Rules, 2023 for public comment

On 4 September 2023, Kenya's Cabinet Secretary for National Treasury, issued draft Income Tax (Transfer Pricing) Rules, 2023, for public comment. These new rules are intended to align with the Finance Act, 2022, which made a myriad of changes to the Income Tax Act section on related-party transactions, including introducing Country-by-Country Reporting (CbCR) requirements for multinational entities with operations in Kenya.

This revision of TP Rules in Kenya is expected to result in additional compliance requirements for multinational enterprises (MNEs). But, it also brings increased clarity on TP applicability in Kenya and aligns with the OECD Guidelines as the global best practice.



United States

IRS issues notice on amortization of specified research or experimental expenditures

On 8 September 2023, the US Treasury Department (Treasury) and the Internal Revenue Service (IRS) published Notice 2023-63 (“the notice”) to provide interim guidance intended to clarify the application of section 174 for expenditures paid or incurred for tax years beginning on or after 1 January 2022.

Notice 2023-63 addresses certain computation rules; the scope of costs considered SRE expenditures; software development; research performed under contract; disposition, retirement, or abandonment of property resulting from SRE expenditures; the treatment of SRE expenditures under IRC section 460; and the treatment of SRE expenditures incurred as part of a qualified cost sharing arrangement under Treasury Reg.

On 12 September 2023, IRS released an advance version of Notice 2023-64 providing additional interim guidance on application of the new corporate alternative minimum tax (CAMT).

Notice 2023-64 provides additional corporate AMT guidance

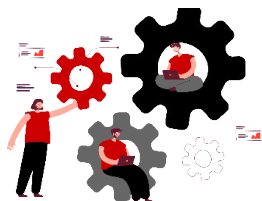
On 12 September 2023, IRS released an advance version of Notice 2023-64 providing additional interim guidance on application of the new corporate alternative minimum tax (CAMT). Notice 2023-64 clarifies and supplements Notice 2023-7.

The notice includes:

- A list of financial statements that meet the definition of an applicable financial statement (AFS), as well as priority rules for identifying a taxpayer’s AFS.
- General rules for determining a taxpayer’s financial statement income and AFSI
- Guidance on the treatment of certain taxes.
- Guidance on foreign corporations and CAMT foreign tax credits.



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TAX

Direct Tax

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 - » Tax Compliance
 - » Tax Advisory
 - » Tax Training
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 - » Country by Country Reporting [CbCR]
 - » TP Local File and Master File
 - » TP Advisory
- International Tax
 - » Review of International Transaction
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 - » Tax Agency Service
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Company Incorporation

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- Company Liquidation
- Offshore Registered Agent –JAFZA
- PRO Service



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