

Tax Updates

November 2023

Dear Readers,

The world of taxation in the UAE is ever evolving. Staying abreast of the changes is crucial for the organization's success. While we come across updates more frequently these days, we have been proactive in adapting to the latest developments and ensuring compliance with evolving tax regulations. Our dedicated team works tirelessly to navigate these changes seamlessly, and I am confident in our ability to maintain financial resilience in the face of shifting tax landscapes.

As the World leaders gather in Dubai, for the world climate action summit to kick off the 28th United Nations climate change conference, it also marks critical moment in our collective commitment to addressing climate change. As a responsible corporate citizen, we recognize the importance of sustainable business practices and are dedicated to contributing to global efforts to combat climate change. Let us all remain steadfast in our commitment to environmental stewardship and continue to explore innovative ways to reduce our carbon footprint.

Further, as we approach the holiday season, I take this opportunity to wish you and your loved ones a joyous Christmas filled with warmth, laughter and well-deserved relaxation and bonding with family and friends.

May the spirit of the season inspire us to reflect on our achievements, appreciate our shared journey, and look forward to a new year brimming with opportunities and success.

I thank each of our readers for your unwavering commitment, and I look forward to achieving greater milestones together in the coming year.

CA Manu Palerichal
Partner & CEO



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Corporate Tax guide on the interaction of Accounting Standards with corporate tax

On 6 November 2023, the UAE Federal Tax Authority (FTA) released the Corporate Tax Guide on Accounting Guide CTGACS1. This guide is essential for individuals responsible for preparing Financial Statements of Taxable Persons for Corporate Tax purposes.

It aims to offer general guidance on how Accounting Standards and Corporate Tax interact. The guide covers key topics, including the preparation of Financial Statements, the Cash Basis of Accounting, the realization basis of accounting, other adjustments under Article 20(2)(i) of the Corporate Tax Law, and Adjustments under the transitional rules.

Corporate Tax guide on Taxation of foreign source income

On 16 November 2023, the UAE Federal Tax Authority has released the Corporate Tax Guide on Taxation of Foreign Source Income (CTGFSI1). This guide offers general guidance to taxpayers regarding the taxation of Foreign Source Income in accordance with the Corporate Tax Law.

The key points covered include the relevance of foreign source income under the Corporate Tax Law, the definition of foreign source income for Taxable Persons, identification of Taxable Persons subject to tax on foreign source income, the taxable nature of foreign source income, the determination of Taxable Income and Exempt Income related to foreign source income, and an explanation of Foreign Tax Credit, including its computation.

Corporate Tax Guide on Taxation of Natural Person

On 25 November, 2023, the UAE Federal Tax Authority released a Corporate Tax guide outlining the taxation of natural persons. This guide provides an overview into the timing of Corporate Tax implications on the income of natural persons, computation of corporate tax and compliance of Corporate Tax regulations required by natural person. It also provides an overview of interactions with other businesses by natural person.

UAE Federal Tax Authority Provides Corporate Tax Guide on Exempt Persons

On 1 December, 2023, the UAE Federal Tax Authority released a Corporate Tax CTGEPF1 guide outlining the status of Exempt Person. This guide aims to offer comprehensive insights into the Exempt Persons status for Corporate Tax purposes. It furnishes readers with a synopsis of the criteria defining Exempt Persons status for:

- Qualifying Public Benefit Entities
- Public Pension or Social Security Funds
- Private Pension or Social Security Funds
- Wholly Owned and Controlled Subsidiaries of Pension and Social Security Funds.

The intent is to provide general guidance on the eligibility conditions associated with Exempt Persons status within these specified categories.

UAE Amends Corporate Tax Law in Preparation for Pillar 2 Global Minimum Tax

On 24 November 2023, Ministry of Finance published Federal Decree-Law No. 60 of 2023 in the Official Gazette, which amends certain provisions of Federal Decree-Law No. 47 of 2022 (the Corporate Tax Law).

The Cabinet at the suggestion of the Minister shall issue a decision imposing effective global tax rate of 15% on Multinational Enterprises(MNE).

Effective global tax rate of 15% on MNE.

Cabinet Decision on amendments to Excise Tax Regulations released

The Federal Tax Authority has released Cabinet Decision No. 108 of 2023 on 6 November 2023 amending certain provisions of Cabinet Decision No. 37 of 2017 on the Executive Regulation of the Federal Decree Law No. 7 of 2017 on Excise Tax.

The key changes in the decision include introduction of new definitions, forced deregistration by the FTA, concept of 'natural shortage' of Excise goods and export exemption requirements. The provisions of the amended decision comes into effect from 1st December 2023. The Decision has also opened an opportunity for persons not registered for Excise Tax to apply for refund on export of Excisable goods from 1st June 2024, on fulfilment of certain conditions.



Sultanate of Oman

Regulating the governance of Tax exemptions & Launch of a new service on the E-portal of the Oman Tax Authority (OTA)

On 9 November 2023, His Majesty Sultan Haitham bin Tarik issued Royal Decree No. 80/2023 (RD 80/23) to regulate tax exemptions and clearly delineate the responsibilities for granting such exemptions. The responsibility for overseeing tax exemptions has been shifted from the Head of the Tax Authority to the Minister of Finance.

OTA has issued an announcement confirming that the service of booking appointment with the tax inspectors or OTA representatives are now available on the e-portal.

Kazakhstan Prime Minister Authorizes Signing of Tax Treaty with Oman

On 10 November 2023, Kazakhstan Prime Minister Alikhan Smailov signed the decree authorizing the signing of an income and capital tax treaty with Oman.



Qatar

Tax Treaty between Qatar and Saudi Arabia to be negotiated

On 31 October 2023, the Saudi Cabinet authorized the negotiation of an income tax treaty with Qatar. 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.

Amending Protocol to Tax Treaty between Qatar and Ukraine in Force

On 9 November 2023, Ukraine Ministry of Foreign Affairs published Letter No. 72/14-612/1-134734, which provides that the amending protocol to the 2018 tax treaty with Qatar entered into force on 11 June 2023.

It includes updates to the preamble and Articles 25 (Mutual Agreement Procedure) and 26 (Exchange of Information). The protocol also adds a new Article 28 (Entitlement to Benefits). The protocol generally applies from 1 January 2024.



Tax Treaty between Gambia and Saudi Arabia Signed

On 9 November 2023, officials from the Gambia and Saudi Arabia 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.

Tax Treaty between Saudi Arabia and the Slovak Republic Signed

On 13 November 2023, officials from Saudi Arabia and the Slovak Republic 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.

Saudi Arabia announces ninth wave of Phase 2 e-invoicing integration

On 17 November 2023, the Saudi Arabia Zakat, Tax and Customs Authority (ZATCA) announced on its website that taxpayers resident in Saudi Arabia, with a taxable turnover exceeding 30m Saudi Riyal (SAR30m) during calendar year 2021 or 2022, will fall within the ninth wave of Phase 2 e-invoicing integration and should comply with the Phase 2 requirements. The ZATCA will notify the impacted taxpayers in preparation for linking and integrating their electronic invoicing systems with the ZATCA's e-invoicing platform (Fatoora).

Taxpayers coming under the ninth wave should comply with the Phase 2 e-invoicing requirements between 1 June 2024 and 30 September 2024, inclusive of both dates.



Kuwait joins inclusive framework and agreement on international tax reform.

On 15 November 2023, the OECD announced that Kuwait has joined the inclusive framework for the global implementation of the BEPS project. Kuwait also has become the 140th inclusive framework member to approve the outcome statement dated 11 July 2023 regarding the “two-pillar” solution that aims to address the tax challenges arising from the digitalization of the economy.

Kuwait to Extend Corporate Tax to All Entities

The Kuwaiti government is reportedly planning to extend corporate income tax to all entities in Kuwait, with an exemption for small enterprises. Currently, Kuwait's 15% corporate income tax is only imposed on entities with foreign ownership. The extension of corporate income tax to all entities is in response to the Pillar 2 global minimum tax and would be implemented in phases beginning in 2025.



OECD

New corporate tax statistics, working paper on effective tax rates of MNEs released

On 21 November 2023, the OECD announced the release of the fifth edition of Corporate Tax Statistics, including a report and database covering more than 160 jurisdictions and providing information on the international activities of multinational enterprises (MNEs), as well as two years of aggregated country-by-country (CbC) reporting data. The OECD also released an accompanying working paper Effective tax rates of MNEs.

Input requested on proposed changes to model treaty commentary regarding extractives.

On 16 November 2023, the OECD announced that it is requesting comments on a public consultation document on proposed changes to the commentary to the OECD model tax treaty with respect to article 5 dealing with the definition of a permanent establishment and its application in relation to extractible natural resources.

Interested parties are requested to submit their comments on the consultation document before 4 January 2024.

Comments invited on toolkit for developing countries regarding pricing of lithium

On 6 November 2023, the OECD issued an announcement inviting public comments on a draft toolkit that aims to support developing countries in addressing transfer pricing challenges that may arise when pricing minerals, as part of the ongoing work of the OECD and the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF) relating to BEPS and the mining sector and comments on the draft toolkit are requested by 2 February 2024.

India

TIEA between India and Saint Vincent and the Grenadines has entered into force

India has published Notification No. 96/2023 on the tax information exchange agreement with Saint Vincent and the Grenadines, which includes that the agreement entered into force on 14 February 2023. The agreement, signed 19 May 2022, is the first of its kind between the two countries and applies from the date of its entry into force.

Singapore

IRAS updates guidance on deductibility of borrowing costs other than interest expense

On 30 October 2023, Inland Revenue Authority of Singapore published the fourth edition of e-Tax Guide Income Tax: Tax Deduction for Borrowing Costs Other Than Interest Expenses. This replaces the third edition which was published on 15 January 2019.

The fourth edition of the e-Tax Guide contains an important update on the deductibility of front-end fees charged by lenders and would be relevant for taxpayers where:

- Loans are taken out to finance the acquisition of a capital asset or to fund general working capital employed in generating taxable income; and
- Front-end fees are charged by the lender.

Commitment given to implementation of Crypto-Asset Reporting Framework

On 10 November 2023, IRAS published a media release confirming commitment to implement Crypto-Asset Reporting Framework (CARF) by 2027, developed by the Organization for Economic Co-operation and Development (OECD), as well as the recent amendments to the OECD Common Reporting Standard (CRS). Singapore joins 47 other jurisdictions that have expressed the joint intent to work towards this goal via a joint statement released on the same day.

Hong Kong

Stamp duty rate reduction on stock transfer comes into effect

The Stamp Duty (Amendment) (Stock Transfers) Ordinance 2023 which gives effect to the proposal in the 2023 Policy Address to reduce the rate of stamp duty on contract notes for sale or purchase of Hong Kong SAR stock from 0.13% to 0.1% came into force as from 17 November 2023. The objective of the rate reduction is to enhance the competitiveness of the Hong Kong SAR stock market.

United States

Proposed currency regulations under IRC section 987 and related rules

On November 9, 2023, the Treasury Department and the IRS issued proposed regulations providing guidance under Internal Revenue Code Section 987 and provisions relating to the determination of taxable income or loss and foreign currency gain or loss with respect to a qualified business unit that has a functional currency different from its owner.



United Kingdom

UK HMRC Guidance on Transfer Pricing Records for Permanent Establishments

UK HMRC has published guidance on the transfer pricing records requirements for permanent establishments in the UK in the context of the amendments made by Finance (No. 2) Act 2023. The transfer pricing records legislation does not apply to permanent establishments that are part of an MNE group that meets the CbCR threshold.

As a result, there are no specific record keeping requirements for permanent establishments beyond the general duty to keep and preserve such records as are required to make and deliver a correct and complete return.

UK HMRC Guidelines for Compliance (GfC3) to Assist Taxpayers in Determining Whether Their Work Qualifies as R&D for Tax Purposes

UK HMRC has published Guidelines for Compliance (GfC3) to assist taxpayers in determining whether their work qualifies as Research and Development (R&D) for tax purposes and avoiding common mistakes.

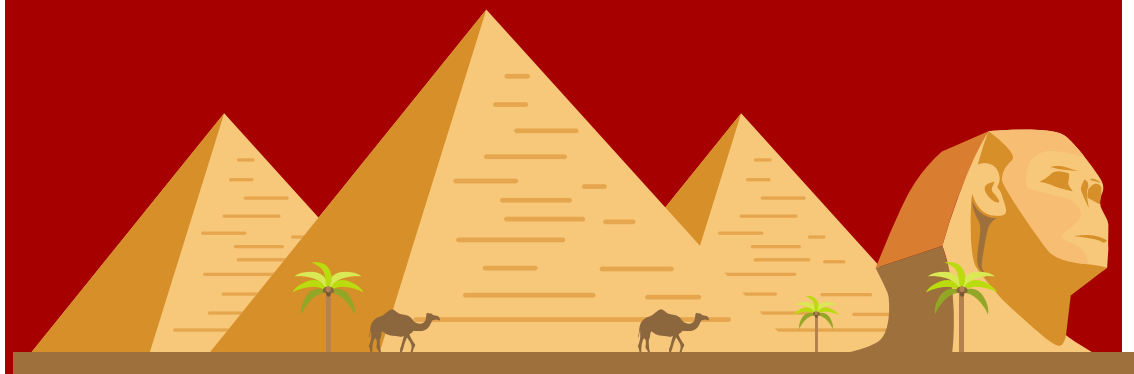
These Guidelines for Compliance (GfC) expand on HMRC's view of the guidelines on the meaning of R&D for tax purposes. Those guidelines are provided by the Department for Science, Innovation and Technology (DSIT).

Egypt

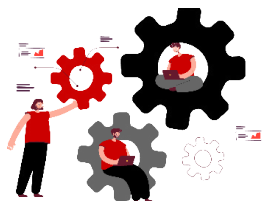
Egypt Providing Simplified Lump-Sum Tax for Startups

On 10 November 2023, the Egyptian Tax Authority (ETA) announced a new simplified lump sum tax to stimulate emerging companies and entrepreneurship. This includes annual lump sum and flat rate amounts for start-up companies.

The start-ups with annual turnover not exceeding EGP 10 million also benefit from a simplification of the procedures for collecting tax and a reduction in tax disputes.



Our Services



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- Forensic Audit & Fraud Investigation
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- Business Feasibility Study
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Accounting & MIS Reporting

- Accounting & Financial Reporting
- Accounting Outsourcing
- Updating of Backlog Accounts
- Fixed Asset Management
- Standard Operating Procedures.
- Inventory Verification

TAX

Direct Tax

- UAE Corporate Tax
 - » First Time Adoption
 - » Tax Compliance
 - » Tax Advisory
 - » Tax Training
- Transfer Pricing [TP]
 - » Country by Country Reporting [CbCR]
 - » TP Local File and Master File
 - » TP Advisory
- International Tax
 - » Review of International Transaction
 - » Economic Substance Regulation
 - » Tax Residency Certificate
 - » Ultimate Beneficial Owner Regulation [UBO]

Indirect Tax

- Value Added Tax [VAT]
 - » 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



united auditing
Audit Division

United Auditing is headquartered in Dubai incorporated in the year 2005. United Auditing and its associate professional firms (Emirates Chartered Accountants Group) are ISO 9001-2015 Certified International Chartered Accountants Firms with branches spread across UAE in Dubai, Abu Dhabi, Jebel Ali Free Zone [JAFZA], Sheikh Zayed Road, and Sharjah. United Auditing is the Audit Division of Emirates Chartered Accountants Group providing Audit & Assurance Services listed in major banks and free zones in the UAE.

INCORP
Company Setup Division

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- **ECAG Taxation (Tax Division)**
- **Emirates CA Consultancy - Bahrain**
- **ECAG LTD - UK**
- **ECAG - India**



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