



Tax ^{'23} April Updates

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Tax updates

2023 April Edition

"The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn."

I am pleased that the UAE has continued to make significant progress in its efforts to enhance its tax system. The country has implemented several important measures, including the introduction of new tax laws, to ensure a fair and transparent tax environment for businesses and individuals. We hereby, bring you the latest tax developments in and around GCC for the month of April 2023.

In addition, the UAE government has announced tax incentives and exemptions aimed at promoting investment and stimulating economic growth. These include exemptions from VAT for certain goods and services and corporate tax incentives for small and medium-sized enterprises.

As an organization, we remain committed to maintaining the highest standards of tax compliance and transparency. Our dedicated tax team is here to offer expert support and guidance to the business community. Whether you have queries about tax regulations, need assistance with filing tax returns, or require advice on tax planning strategies, our team is always available to provide you with the assistance you need. With their extensive knowledge and experience in the field of taxation, you can rest assured that your tax-related matters will be handled with the utmost professionalism and care. Contact us today to find out how we can help you navigate the complex world of tax with ease.

Thank you for stopping by and taking the time to read our monthly tax update. I look forward to crossing paths and sharing more news and insights in the future.

CA. Manu Palerichal
CEO & Partner



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United Arab Emirates

Decision on Corporate Tax Relief for Small Businesses and Startups

On 3 April 2023, the Ministry of Finance ("MoF") issued Ministerial Decision No.73 of 2023 with regards to details on the **Small Business Relief** with a sunset clause by 31 December 2026.

The taxable person with revenue of AED 3 million or less for the relevant tax period and previous tax years are eligible to claim Small Business Relief. This relief will not be available to Qualifying Free Zone Persons and members of Multinational Enterprises Groups that have consolidated group revenues of more than AED3.15 billion.

Ministerial Decision on single taxable person for Federal Government Entities and Local Government Entities

Ministerial Decision No.68 of 2023 was issued by the Ministry of Finance ("MoF") on March 29, 2023, regarding the treatment of all businesses and business activities conducted by a Government Entity as a single taxable person.

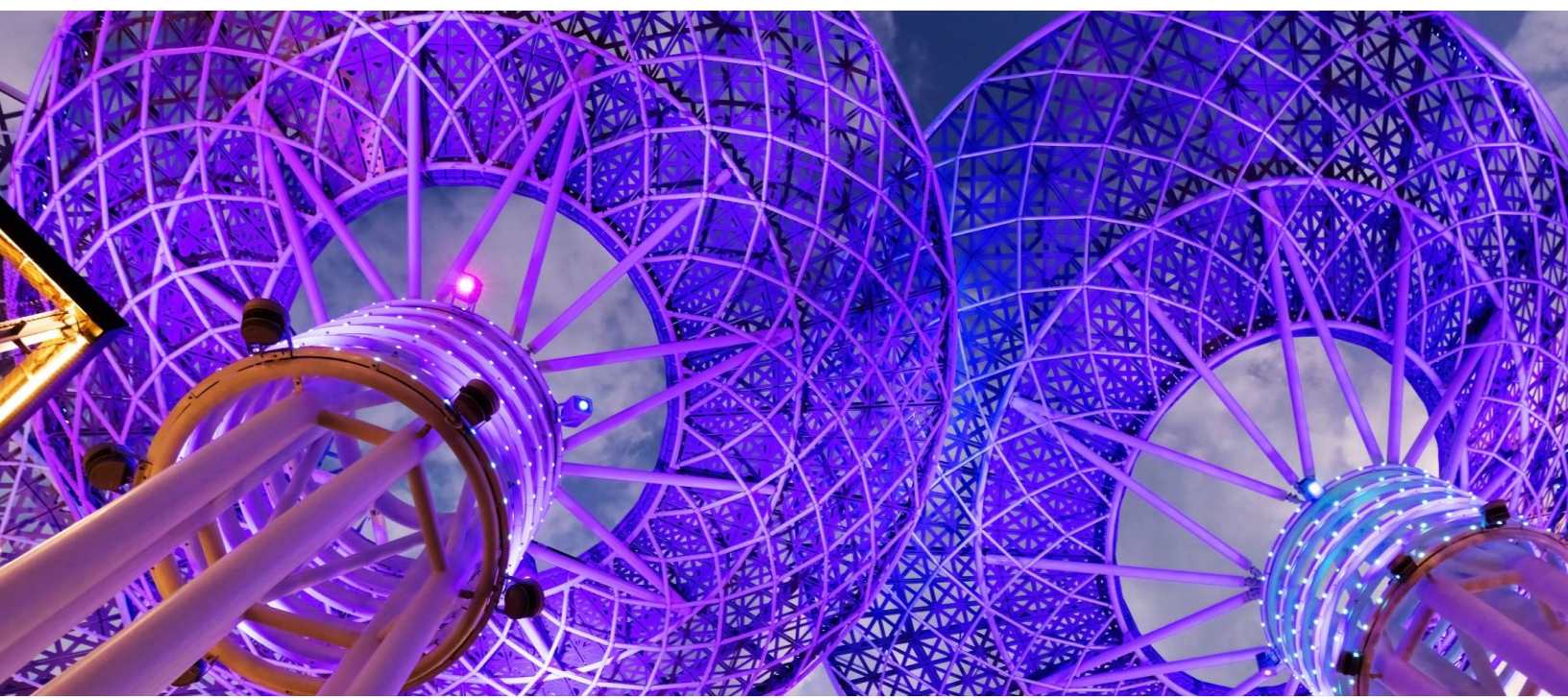
The Decision states that the Representative Federal Government Entity must apply to the Authority on behalf of Federal Government entities, while the Representative Local Government Entity must apply for Local Government entities, to be treated as a Single Taxable Person.

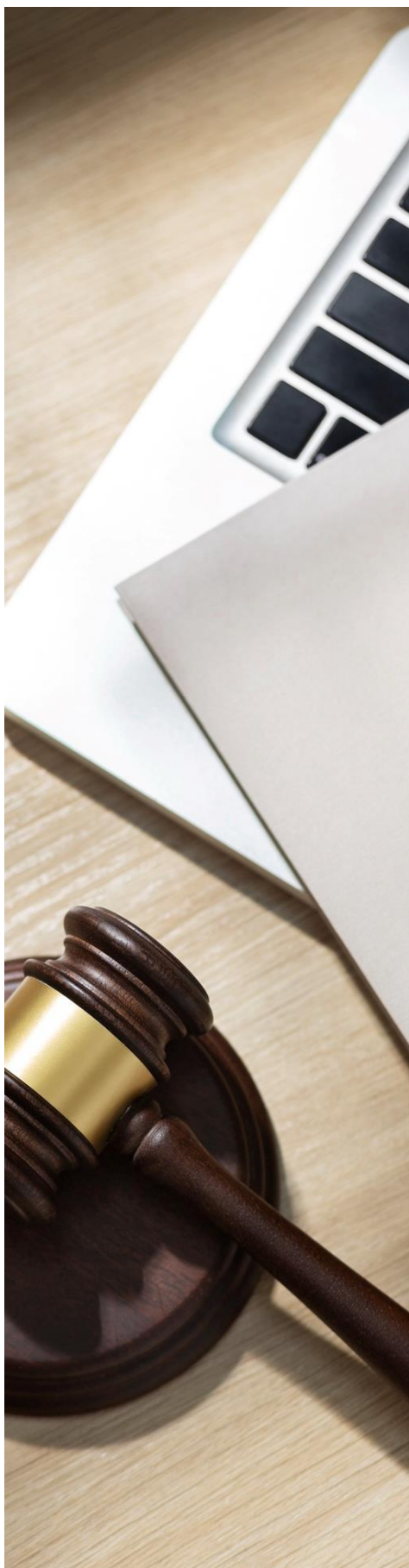
Ministerial Decision No. 43 of 2023 on exception from Corporate Tax Registration

On 10th March 2023, the MoF issued the Ministerial Decision with regards to exception from **Corporate Tax Registration**.

As per the Decision, following entities are excluded from Registration for Corporate Tax:

- Government Entities
- Government Controlled Entities
- Persons engaged in Extractive Business
- Persons engaged in a Non-Extractive Natural Resource Business
- Non-Resident Persons that derive only UAE sourced income and does not have a Permanent Establishment in the UAE.





Cabinet Decision No. 37 of 2023 regarding the Qualifying Public Benefit Entities

On 23rd April 2023, the Cabinet of Ministers issued Decision No (37) of 2023 with regards to details on **Qualifying Public Benefit Entities (QPBE)**.

The decision provides a list of entities established for the benefit of the public and considered as a QPBE.

Ministerial Decision No. 82 of 2023 on categories of Taxable Persons required to prepare and maintain audited financial statements:

This Ministerial Decision provides that the following Taxable Persons shall prepare and maintain audited financial statements:

1. Taxable Persons deriving revenues exceeding AED 50 Million.
2. Qualifying Free Zone Persons (QFZP).

Certain Other Regulations in respect of Corporate Tax Released

The UAE Tax Authorities have issued following other Regulations in connection with UAE Corporate Tax in the month of April 2023:

Federal tax Authority Decision No. 5 of 2023	The Taxable Person can make an application to the Authority to change the start and end date of the Tax Period , or use a different Tax Period
Federal tax Authority Decision No. 6 of 2023	This decision specified the timelines for the taxable person to apply for Tax Deregistration – for natural and legal persons.
Federal tax Authority Decision No. 7 of 2023	This decision specifies certain procedures for registration and application for exemption under the UAE CT Law.
Ministerial Decision No. 83 of 2023	This decision specifies the conditions that would not create a Permanent Establishment for a Non-Resident Person while the natural person is present in the UAE.

Notice regarding extension of increased import duty on rebar & wire rod

Dubai Customs has extended the increase of import duty on rebar and wire rod from 5% to 10% vide Customs Notice No. (02/2023) issued on 3/4/2023. The increased duty will be applicable until October 12, 2025.

Suspension of importing and registering electric Volkswagen cars

Dubai Customs vide Notice No. (03/2023) issued on 10/4/2023 has temporarily suspended import of electric Volkswagen vehicles unless imported for the purpose of re-export with effect from 13/3/2023.

Notice on submission of Customs Declaration and Required Documents

Dubai customs vide Notice (04/2023) has declared the timeline for submission of documents, fee for late submission and conditions for exception from submission of documents. The notice issued on 14 April 2023 has come into force from 24 April, 2023, and supersedes and revokes earlier notices issued in this regard.

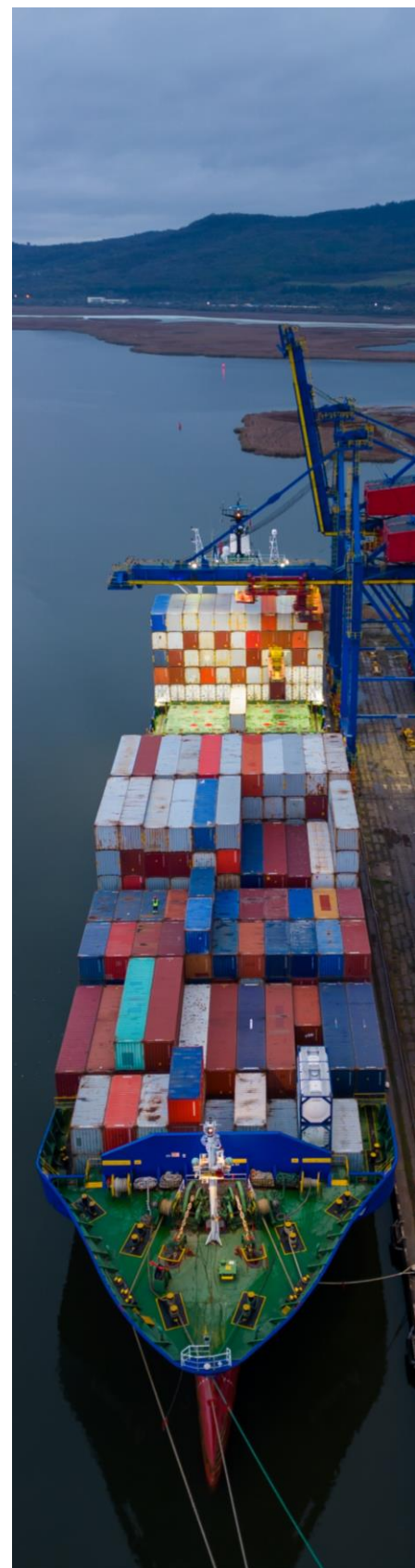
Notice regarding extension of temporary suspension of export of ferrous scrap and waste paper

The Dubai Customs has extended the temporary suspension of export of ferrous scrap and paper waste under specific HS codes for a period of 3 months. Customs Notice No. (05/2023) was issued on 19 April 2023 and is effective from 20 March 2023.

UAE-Israel Comprehensive Economic Partnership Agreement (CEPA) enters into force

The UAE-Israel Comprehensive Economic Partnership Agreement, which was signed on May 31, 2022, will come into effect on 1 April, 2023. This means that tariffs will be removed or reduced on more than 96 percent of product lines, which covers 99 percent of the UAE's trade with Israel. Access to Israel's domestic services market for UAE businesses including financial services, communications, tourism, transportation, and distribution.

The Dubai Customs vide Customs Policy No. (55/2023) has detailed the obligations and customs base for transactions between the United Arab Emirates and the State of Israel.



Kingdom of Bahrain

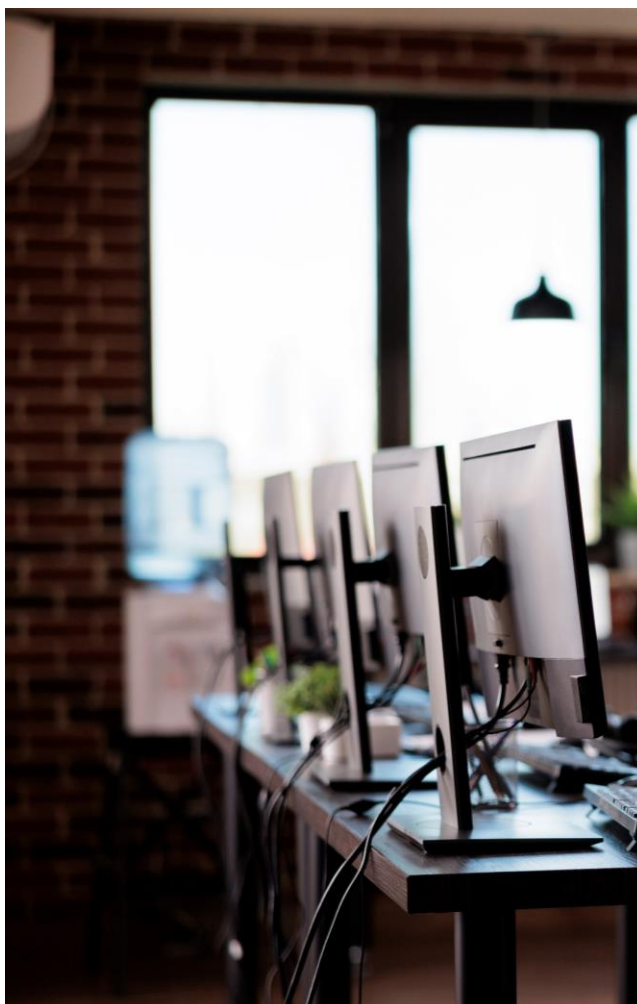
National Bureau for Revenue (NBR) has reactivated the 5% field in VAT Returns

NBR has reactivated the 5% field in VAT return form. This will allow companies to declare sales and corresponding adjustments/apportionment in the VAT return as per the Bahrain VAT Law and Regulations, and the transitional provisions related to the VAT standard rate change.

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Bahrain reactivates 5% Rate field in the VAT Return form.

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Kuwait

Tax retention with held on companies enjoying tax incentives

The Kuwait Ministry of Finance (MoF) has released Circular No. 8 of 2023, which pertains to the 5% tax retention withheld on companies enjoying tax incentives as per the Kuwait Direct Investment Promotion Authority (KDIPA)'s regulations (“K-Entities”).

According to the circular, K-Entities are now eligible to reclaim 80% of amounts retained by their customers (i.e. 4% out of the 5% withheld) by simply submitting the required documentation to the Department of Inspection and Tax Claims (“DIT”). K-Entities may reclaim the remaining 20% (i.e. the remaining 1% out of the 5%) of retained amounts through regular means (post standard tax inspection).

Kingdom of Saudi Arabia

ZATCA proposed amendments on E-invoicing issued for public consultation

The Zakat, Tax and Customs Authority ('ZATCA') have proposed amendments to the controls, requirements, technical specifications and the procedural rules for implementing the provisions of the E-invoicing regulation, for public consultation.

These proposed amendments are currently open for public consultation and all interested stakeholders and taxpayers are invited to provide their feedback and opinions on the proposed amendments via the platform until 18 April 2023.

Kingdom of Saudi Arabia launches four new Special Economic Zones:

Saudi Government announced the establishment of four new Special Economic that offer companies financial and non-financial incentives as it seeks to attract more foreign investors.

The newly established economic zones are:

1. King Abdullah Economic City' (KAEC) SEZ: The destination for advanced manufacturing, logistics, MedTech, consumer goods.
2. Jazan SEZ: The region for the export of goods and import of materials.
3. Ras Al Khair SEZ: The region for Shipbuilding, Rig Platforms.
4. Cloud Computing SEZ: The region for Cloud Computing services.

ZATCA extends Transfer Pricing requirements to Zakat Payers

ZATCA's Board of Directors has approved Decision No. 8 of 2023, which extends the Transfer Pricing requirements to Zakat payers in addition to income taxpayers.

Zakat payers will be required to submit a TP disclosure form and TP Affidavit with their Zakat returns. They will also require to prepare local and master file Transfer Pricing documentation requirements.

These changes will apply for financial years starting on or after 1 January 2024, but initial exemptions will be granted for Zakat payers with related party transactions below SAR 100 million in the first phase, including all investment funds.

For financial years starting on or after 1 January 2027, the exemption threshold for Zakat payers will be reduced to SAR 48 million, and the general exemption for investment funds will no longer apply.

ZATCA encourages individuals to pay Zakat via "Zakaty"

Zakat, Tax and Customs Authority (ZATCA) encouraging individuals to pay their Zakat voluntarily through the Zakaty App or the service website, zakaty.gov.sa.

The app provides the ability to calculate various types of Zakat, including funds, gold, silver, stocks, investment funds, and land, etc with issuing an invoice for the transaction. It also sends reminders about Zakat due dates and calculates gold Zakat according to purity through a specific logarithm.

State of Qatar

Ukraine Parliament approves pending protocol to Tax Treaty with Qatar

On 10 April 2023, the Ukraine Parliament approved the ratification of the pending protocol to the 2018 income tax treaty with Qatar. The protocol, signed 2 September 2021, is the first to amend the treaty and includes updates to the preamble and Articles 25 on Mutual Agreement Procedure and 26 on Exchange of Information, as well as a new Article 28 on 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.

Certain Other Jurisdictions

OECD

Recent developments relating to the implementation of Amount A of OECD Pillar One

On 28th March, the meeting of the European Parliament's subcommittee on tax matters was held, where the speakers discussed the progress around Amount A of the OECD Pillar 1 initiative. The OECD's Achim Pross, deputy director of the OECD's Centre for Tax Policy and Administration provided an update and reiterated better-than-expected projections that Amount A is likely to allocate taxing rights to market jurisdictions on an estimated \$200 billion in annual residual profits.

Meanwhile, Daniel Fehling of the German Federal Ministry of Finance warned that any delays or disagreement on Amount A rule implementation could lead to a revival of unilateral measures to tax digital activity within the EU. The EU Tax Observatory also provided estimates on the net revenues that Amount A would raise for various countries.

IASB Confirms temporary relief from deferred tax accounting for OECD Pillar Two taxes

The International Accounting Standards Board (IASB) has approved amendments to IAS 12 Income Taxes, which provide temporary relief for companies from accounting for deferred taxes arising from the implementation of the OECD's Pillar Two model rules.

The amendments will introduce a temporary exception to the accounting for deferred taxes and targeted disclosure requirements for affected companies. The IASB consulted on the proposed amendments in the first quarter of 2023, and the amendments will ensure affected companies apply IAS 12 consistently and provide better information to investors before and after the implementation of the jurisdictional Pillar Two legislation.

China

China Provides Incentives for Small and Low-Profit Enterprises

On 26 March 2023 the Chinese Ministry of Finance (MOF) said in a release that for small and low-profit enterprises will be subject to a 20% CIT rate on 25% of the taxable income amount for the portion of taxable income not exceeding CNY 1 million during the period from 1 January, 2023, to 31 December, 2024.

To be eligible for the lower tax rate, businesses must meet the definition of a small and low-profit enterprise, which applies to companies with annual taxable incomes not exceeding CNY 3 million, no more than 300 employees, and no more than CNY 50 million of assets.

China Extends Super Deduction for R&D Costs

China's State Council has approved an increase in the additional pre-tax deduction for research and development (R&D) expenses to 100% if the expenses are incurred as part of long-term institutional arrangements. The Ministry of Finance has also announced that R&D costs that do not create intangible assets are entitled to an additional 100% deduction, retroactive to 1 January.



India

Windfall Tax on domestic crude oil slashed

On 1 May 2023, India's Central Board of Indirect Tax and Customs (CBIC) has as cut the windfall tax on petroleum crude to INR 4,100 (\$50.14) per ton from INR 6,400 per ton after reimposing it last month.

Earlier in April the Central Board of Indirect Taxes and Customs (CBIC) had decided to cut the windfall tax on crude oil from INR 3,500 (42.56 USD) per ton to nil while reducing the export duty on diesel to 50 paise. Later again the government reimposed a levy of INR 6,400 per ton on 19 April to earn revenue.

Our

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- Internal Audit
- Due Diligence Review
- Investigation
- IFRS Advisory Services
- Business Valuation
- Project Cost Audit
- Forensic Audit & Fraud Investigation
- Anti-Money Laundering (AML) Compliance

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- CFO Services
- Trade Finance
- Working Capital Finance
- Project Finance
- Financial Feasibility Study
- Business Feasibility Study
- Market Research & Business Plan
- Mergers & Acquisition

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 Transactions
 - ✓ Economic Substance Regulation
 - ✓ Tax Residency Certificate
 - ✓ Ultimate Beneficial Owner Regulation [UBO]

Indirect Tax

- Value Added Tax [VAT] | Excise Tax
 - ✓ Advisory
 - ✓ Tax Agency Service
 - ✓ Pre- Tax Audit
 - ✓ VAT Return Filing & Refund
 - ✓ Registration/De-registration
 - ✓ Representation to FTA
- Customs

Company Incorporation

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

ECAG

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Group Companies

- Emirates International Chartered Accountants Co.
(Registered Tax Agency)
- United Auditing (Affiliated to IECnet)
- ECAG Taxation
- Emirates CA Consultancy WLL
- ECAG LTD
- ECAG India



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