

Tax Updates

December 2024

Dear Valued Readers,

As we step into the final month of 2024, it's a great time to reflect on the changes shaping the business world. Tax regulations continue to evolve, and staying informed is key to making the right decisions for the future. At CLA Emirates, we are here to help you navigate these changes with confidence.

In the UAE, new tax rules are coming into effect from January 2025, and businesses are encouraged to meet their filing deadlines to avoid any last-minute hassles. The government is also taking steps to ensure transparency with the introduction of Raqeeb, a whistleblower program that promotes fairness in the tax system. Meanwhile, an exciting development for tourists—an innovative tax refund system for online shopping—has made the UAE the first in the world to offer such a service, strengthening its position as a global retail hub.

Across the GCC, countries are making efforts to strengthen their economies through new tax agreements and digital advancements. Saudi Arabia is expanding its e-invoicing system, while Bahrain, Qatar, Oman, and Kuwait are updating their tax policies to align with global standards. Even beyond the region, countries like India are refining their tax structures to make compliance smoother for businesses and individuals alike.

While tax policies may sound complex, the goal is always to create a fairer and more efficient system for businesses to thrive. Change is constant, and adapting to it is what helps us grow. As Socrates once said, *"The secret of change is to focus all your energy not on fighting the old, but on building the new."*

We at CLA Emirates are committed to supporting you through these transitions, offering guidance and insights to keep your business on the right path. Thank you for your continued trust, and here's to a successful end to 2024 and an even brighter 2025!

CA Manu Palerichal
Founder Partner & CEO



Our Team



CA. Purvi Mehta
Manager, Direct Tax



Akhil S Kumar
Manager - Indirect Tax



CA. Rashmi Chandrappa
Senior Executive, Direct Tax



Keerthi Prabhu K
Executive, Direct Tax



Vaishnavi M. V.
Junior Executive – Direct Tax



Suravi Moktan
Executive Secretary



Hareesh Mohanan
Designer

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United Arab Emirates

UAE Ministry of Finance issues Ministerial Decisions on Tax Groups and Participation Exemption

- On December 9, 2024, the UAE Ministry of Finance released Ministerial Decision No. (301) of 2024 on Tax Group for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses.
- On December 10, 2024, the UAE Ministry of Finance released Ministerial Decision No. (302) of 2024 on the Participation Exemption and Foreign Permanent Establishment Exemption for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses.

These Decisions shall apply on or after January 1, 2025.

UAE Federal Tax Authority Urges Corporate Taxpayers to File Returns and Settle Payables within Legal Timeframes

On December 3, 2024, the Federal Tax Authority made a release urging taxpayers to comply with the recently provided extended deadlines. Businesses subject to Corporate Tax whose tax periods ended on or before February 29, 2024 must file their tax returns and settle the Corporate Tax Payable for their Tax Period to the FTA before the end of December 2024. This is to avoid incurring administrative penalties for non-compliance with the legally mandated deadlines for filing returns and settling the Corporate Tax payable.

VAT Voluntary Disclosure on Mechanism for Correcting Errors or Omissions in VAT Returns submitted to the Authority

On December 31, 2024, the Federal Tax Authority issued Decision No. 8 of 2024 regarding the Mechanism for Correcting Errors or Omissions in VAT Returns submitted to the Authority. If a taxpayer identifies an error or omission in their VAT return filed under Federal Decree-Law No. 8 of 2017, and there is no change in the Due Tax, the taxpayer can correct the error by submitting a Voluntary Disclosure, provided any of the following situations.

- Reporting standard rated Taxable Supplies in relation to an Emirate in the box of another Emirate.
- Incorrect reporting of zero-rated Taxable Supplies, whether by understating or overstating.
- Incorrect reporting of Exempt Supplies, whether by understating or overstating

This came into effect on January 1st, 2025.

FTA Introduces Raqeeb: A Whistleblower Programme

On December 31, 2024, the FTA issued a guide Raqeeb: Whistleblower Programme for Tax Violations and Evasion. This guide aims to help informants in successfully submitting information and leads relating to natural or juridical persons who do not comply with the tax legislation in a secure and confidential manner to inform the FTA of any natural or juridical person evading tax, or committing other tax offences.

The FTA Launches World's First Tax Refund System for E-Commerce Retail Purchases for Tourists in UAE

On December 17, 2024, the FTA announced the launch of a new VAT refund system for E-Commerce Retail Purchases for tourists during their stay in the UAE. In the press release issued, the FTA explained that system is entirely paperless and continuously updated, offering a digital platform that allows tourists to easily scan their passports, complete purchase transactions, and automatically share them in the form of digital invoices. Tourists can also verify their invoices via the shoppers' portal, providing a seamless shopping experience with fast and fully digital VAT refund procedures for eligible purchases.

Ministerial Decision No. (1) of 2025 on Excise Tax

On January 3, 2025, the Ministry of Finance, Office of the Minister, issued Ministerial Decision No. (1) of 2025 regarding the implementation of Cabinet Decision No. 52 of 2019 on excise goods, excise tax rates, and methods for calculating excise prices. This decision outlines the implementation of excise

tax on the following items, with applicable Harmonized System (HS) codes as per the common schedule for the classification and coding of goods within the GCC countries:

- Liquids used in electronic smoking devices and tools, whether or not containing nicotine.
- Electronic smoking devices and tools, whether or not containing nicotine or tobacco.
- Excise prices for concentrates, powders, gels, and extracts that can be transformed into carbonated drinks, energy drinks, or sweetened drinks by retailers mixing these goods with other products, shall be determined based on the highest of either the price published by the excise goods authority in the standard price list or the designated retail selling price.

Taxable persons must maintain records of these transactions. This decision will be published in the Official Gazette and will come into effect upon its issuance.

Additionally, Ministerial Decision No. 236 of 2019, which implemented Cabinet Decision No. 52 of 2019 on excise goods, excise tax rates, and calculation methods, along with any provisions that conflict or violate this new decision, is hereby abrogated.

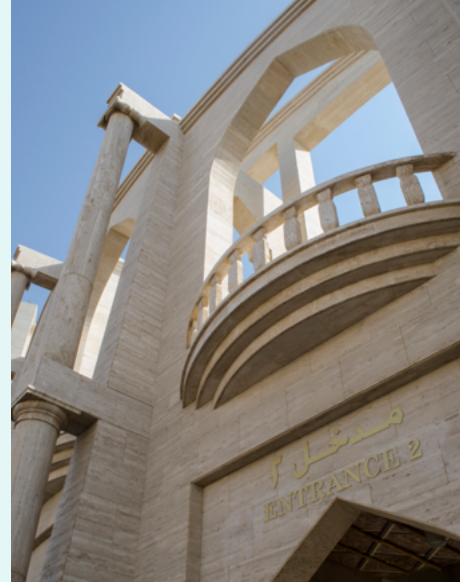
Bahrain Approves Pending Tax Treaty with the UAE

On December 3, 2024, the Bahrain Council of Representatives approved the ratification of the pending income tax treaty with the UAE. The treaty is the first of its kind between the two countries and will enter into force on the first day of the second month after the ratification instruments are exchanged. This will apply from January 1 of the year following its entry into force.

Qatar

Qatar Parliament Approves Pillar 2 Qualified Domestic Minimum Top-Up Tax

On December 23, 2024, Qatar's General Tax Authority announced the approval of amendments by the Shura Council to introduce measures for the Pillar 2 global minimum tax. The new amendment applies to global MNCs with foreign branches that generate annual revenues exceeding QAR 3 billion. It excludes individual taxpayers and local companies in Qatar maintaining the existing 10% corporate income tax.



Kingdom of Bahrain

Domestic Minimum Top-Up Tax (DMTT) in Bahrain

- The National Bureau for Revenue (NBR) of Bahrain issued a Guide to the Scope of the Domestic Minimum Top-Up Law and Registration Requirements. The guide provides a high-level overview of the scope of the DMTT Law and to outline the registration requirements and process relevant for large MNE groups operating in Bahrain. The deadline for registration is no later than January 30, 2025, if the revenue test is met for 2 of the 4 fiscal years immediately preceding January 1, 2025.
- On December 11, 2024, the NBR published Decision No. (172) of 2024 issuing the Executive Regulations for Decree-Law No. (11) of 2024 Regarding the Implementation of Tax on Multinational Enterprises. This includes new Transfer Pricing requirements in relation to the determination of the income or loss of a constituent entity in applying the DMTT rules, which include adjustments in relation to the arm's length principle as specified in the regulations.
- The NBR has now enabled the functionality for DMTT registration applications on its portal. This functionality is available for taxpayers already registered with the NBR for VAT or excise tax. Taxpayers can access the registration feature by logging into the NBR portal and navigating to the taxpayer's home page. MNE Groups that are in-scope from January 1, 2025 should start the registration process immediately.

Sultanate of Oman

Oman Tax Treaties with Cyprus and Tanzania

The Omani government announced the signing of income tax treaty with Cyprus on December 8, 2024 and Tanzania on December 15, 2024. The treaty is the first of its kind between the two respective countries and will enter into force after the ratification instruments are exchanged.

Ratification of Pending Tax Treaties with Estonia and Luxembourg

Oman ratified the pending tax treaties with Estonia on December 10, 2024 and Luxembourg on December 18, 2024. The Royal Decree issued includes the taxes covered, residential status, service PE, Entitlement to Benefits. The treaty will enter into force once the ratification instruments are exchanged and will apply from January 1 of the year following its entry into force.






Kuwait

Kuwaiti Cabinet approved a draft decree-law imposing a 15% tax on multinational entities

On December 24, 2024, Kuwait's news agency announced the approval of the draft decree-law imposing a 15% tax on MNEs by the Kuwait Council. This aims to align Kuwait with global tax standards, curb tax evasion, and ensure the retention of tax revenues within the country. The new tax is scheduled to take effect on January 1, 2025.



On December 24, 2024, Kuwait's news agency announced the approval of the draft decree-law imposing a 15% tax on MNEs by the Kuwait Council.





Kingdom of Saudi Arabia

Saudi Arabia Determines Criteria for 18th Wave of the Integration Phase for the Country's New E-Invoicing Requirements

On November 29, 2024, the Saudi Zakat, Tax, and Customs Authority (ZATCA) announced that it has determined the criteria for the 18th wave of the integration phase for the country's new E-Invoicing (FATOORA) requirements. Taxpayers with VAT taxable revenue that exceeded SAR 2 million in 2022 or 2023 must integrate their e-invoicing solutions with the FATOORA platform by August 31, 2025.

Tax Treaty between Saudi Arabia and Iceland, Croatia and Kuwait Signed

On December 4, 2024, Saudi Arabia signed an income tax treaty with Iceland, Croatia and Kuwait. This is the first of its kind between the countries and will enter into force after the ratification instruments are exchanged.

India

GST on Popcorn

On December 21, 2024, the Ministry of Finance in India introduced varying GST rates for different types of popcorn –

- 5% - non-branded salted popcorn
- 12% - pre-packaged and branded popcorn
- 18% - caramel popcorn due to added sugar

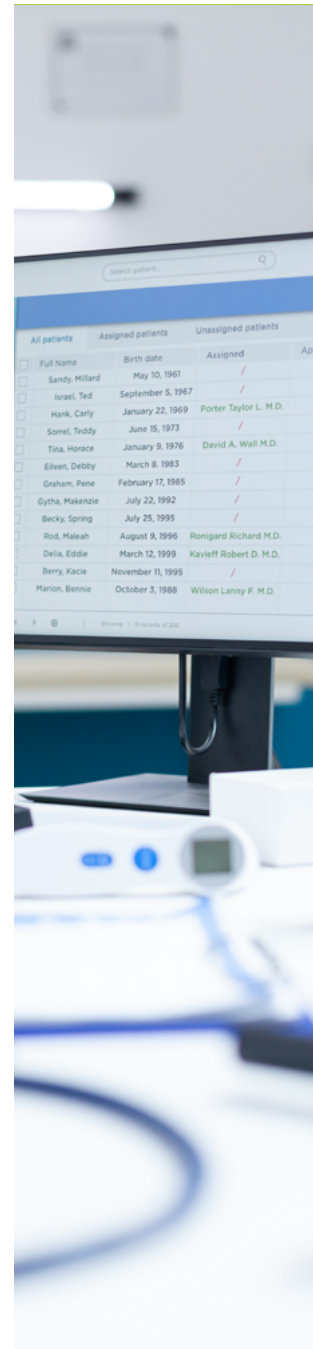
The main reasoning given behind this categorisation is the presence of the ingredient sugar in each type of popcorn.

India releases educational materials for taxpayers on E-Invoicing system

On November 29, 2024, the GST Council issued a guide on the e-invoicing service. It is an informative resource in the form of an e-invoice glossary and a step-by-step guide detailing an e-invoicing, the Invoice Registration Portal (IRP), the Invoice Reference Number (IRN), the difference between Debit and Credit Note and the e-invoice QR code.

Additional Guidance on India's Direct Tax Vivad se Vishwas Scheme for Settling Tax Disputes

On December 16, 2024, India's Central Board of Direct Taxes (CBDT) issued Circular No. 19 of 2024 providing additional guidance the Direct Tax Vivad se Vishwas (DTVSV) Scheme 2024. This includes eligibility of cases, including in relation to appeals that have been set aside and cases where prosecution proceedings have not yet been filed, as well as guidance on the computation of amounts payable, disputed penalties, APA/MAP cases, taxes paid before filing declarations, TDS related queries, and other miscellaneous issues



► Singapore

Singapore Enacts Economic Expansion Incentives (Amendment) Act 2024

On December 13, 2024, Singapore published the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2024 in the Official Gazette. The Act provides for the introduction of an additional Concessionary Tax Rate (CTR) of 15% that may be approved under the Development and Expansion Incentive (DEI). This DEI is intended for companies whose pioneer status has expired that are engaged in capital investment to modernize or upgrade production.



Singapore Updates e-Tax Guides on Securities Lending and Repurchase Arrangements

- Published on December 4, 2024 by the Inland Revenue Authority of Singapore (IRAS), the e-Tax Guide gives details on the income tax treatments and tax concessions of qualifying securities lending and repurchase arrangements under section 10H of the Income Tax Act 1947 ("ITA") 10F. It is relevant to any person who engages in securities lending and repo arrangements.
- The Income Tax: Tax Treatment of Gains or Losses from the Sale of Foreign Assets (Second Edition) e-tax guide published on December 9, 2024 explains the new income tax treatment of gains or losses from the sale or disposal of movable or immovable property situated outside Singapore incurred on or after January 1, 2024.

Hong kong

Global Minimum Tax Implementation

On December 27, 2024, the Inland Revenue Department of Hong Kong published the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Bill 2024 implementing the Global Anti-Base Erosion (GloBE) Rules and the Hong Kong Minimum Top-up Tax (HKMTT) for MNE groups with annual consolidated revenues of at least EUR 750 million.

Hong Kong Updates Lists of Debt Instruments Eligible for Profits Tax Concessions or Exemption

On December 2, 2024, the Hong Kong Inland Revenue Department (IRD) updated the list of Qualifying Debt Instruments (QDIs). The list mainly includes debt instruments issued by financial institutions and governments in the Asia-Pacific region, as well as a few others.

Hong Kong Commits to Implementing Crypto-Asset Reporting Framework

On December 13, 2024, the Hong Kong Government informed the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) of the country's commitment to implementing the Crypto-Asset Reporting Framework (CARF) for enhancing international tax transparency and combating cross-border tax evasion. The first automatic exchanges of information is set to commence in 2028.

Hong Kong Draft Guidance on Proposed Re-Domiciliation Regime

On December 20, 2024, the Hong Kong Inland Revenue Department published draft guidance on the proposed company re-domiciliation regime through the Companies (Amendment) (No. 2) Bill 2024, which is pending approval in the Legislative Council. This allows companies domiciled elsewhere to transfer their domicile to Hong Kong.





United States

U.S. IRS and Treasury Issue Final Regulations on Taxable Income or Loss and Currency Gain or Loss with Respect to a Qualified Business Unit

On December 11, 2024, the U.S. IRS and Department of the Treasury issued final regulations on Taxable Income or Loss and Currency Gain or Loss with Respect to a Qualified Business Unit. This includes an election to treat all items of a qualified business unit as marked items, to recognize all foreign currency gain or loss with respect to a qualified business unit on an annual basis, a new transition rule and to reduce the compliance burden of accounting for certain disregarded transactions between a qualified business unit and its owner.



United Kingdom

Scotland Increases Individual Income Tax Starter and Basic Rate Bands as Part of Budget for 2025 to 2026

A statement issued on December 4, 2024 regarding the Scottish Budget 2025-2026 highlights the revision of the individual income tax bands as follows, including an increase in the Starter and Basic Rate bands:

- GBP 12,571 to GBP 15,397 - 19% Starter Rate
- GBP 15,398 to GBP 27,491 - 20% Basic Rate
- GBP 27,492 to GBP 43,662 - 21% Intermediate Rate
- GBP 43,663 to GBP 75,000 - 42% Higher Rate
- GBP 75,001 to GBP 125,140 - 45% Advanced Rate
- Over GBP 125,140 - 48% Top Rate





Contact us

► T: +971 4 2500290
contact@claemirates.com
CLAemirates.com



Emirates

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