



**Tax** '23  
May  
Updates

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Audit Division

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# Tax updates

2023 May Edition

Dear Readers,

I hope this message finds you well. As we delve into the month of June, I wanted to take a moment to reflect on the current tax landscape and share some insights with you.

In this ever-evolving tax environment, it is crucial for individuals and businesses to stay informed and adapt to new regulations. At ECAG, we understand the significance of staying updated with tax-related developments. Our team of experts has been working diligently to analyze and interpret the latest updates on the UAE Corporate Tax legislation, ensuring that we provide you with accurate and reliable information.

Throughout May, we observed several notable developments in the tax domain. One of the key highlights was the introduction of a new tax relief program aimed at supporting small businesses recovering from the pandemic. This initiative offers incentives and grants to eligible organizations, encouraging their growth. We are coming up with a series of practical guided videos that would provide step-by-step instructions on implementing UAE corporate tax within your organization and maintaining ongoing tax compliance. We aim to provide you with practical guidance and insights that can assist you in navigating the intricate world of taxation.

I express my gratitude for your continued trust in ECAG. We are committed to being your reliable source of tax-related information and assistance. Please feel free to reach out to our team if you have any specific questions or require personalized advice. We are here to support you every step of the way.

**CA. Manu Palerichal**  
CEO & Partner



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## The Team



**CA. Purvi Mehta**  
Manager, Direct Tax



**Mr. Bichinraj KM**  
Manager, Bahrain Operations



**Preethy Varghese**  
Senior Executive, Direct Tax



**Keerthi Prabhu K**  
Executive, Direct Tax



**Suravi**  
Executive Secretary



**Hareesh Mohanan**  
Designer

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# United Arab Emirates

## Ministerial decision on Transfer Pricing Documentation-Master file and Local file

On 11 May 2023, Ministry of Finance released Decision No. 97 of 2023 on requirements for maintaining Transfer Pricing documentation for the purposes of Federal Decree Law No. 47 of 2022 on Taxation of Corporations and Businesses.

According to the decision, following Taxable Person are required to maintain both Master File and Local File:

- Entity that is a constituent company of a Multinational Group that has total consolidated group Revenue of AED 3.15 billion or more in the relevant Tax Period,
- Entity that earns a Revenue of AED 200 million or more in the relevant Tax Period

The Decision also specifies the transactions to be specifically included / excluded in the Local file.

## Cabinet decision on Categories of Businesses or Business Activities conducted by Natural Person that are Subject to Corporate Tax

On 8 May 2023, the Cabinet of Ministers issued Decision No. (49) of 2023. This Decision specifies the categories of Businesses or Business Activities conducted by a resident or non-resident natural person that are subject to Corporate Tax.

Resident or non-resident natural persons (individuals) shall only be subject to Corporate Tax where the turnover or gross amount of income derived from Businesses or Business Activities exceeds AED 1,000,000 within a Gregorian calendar year.

The following shall not be considered as income from a Business regardless of amount of turnover:

1. Wages
2. Personal Investment income (not requiring license)
3. Real Estate investment income (not requiring license)

## New Tax Treaty between the Czech Republic and the UAE signed

On 24 May 2023, the Tax Treaty between the Czech Republic and the UAE was signed in Prague.

The treaty will enter into force after the ratification instruments are exchanged and, once in force and effective, will replace the 1996 tax treaty between the two countries.

## Customs Policy on conditions and regulations for implementation of CEPA between the UAE and India

The Dubai Customs vide Customs Policy No. (56/2023) has decided the customs tariff applied on goods originating from India and directly exported to the UAE.

The policy issued for implementation of Comprehensive Economic Partnership Agreement between the countries has become effective from 01 May 2023.



**The UAE Tax Authorities have issued following other Decisions in connection with UAE Corporate Tax in the month of May 2023:**

<b>On 12th May 2023</b>	<b>Explanatory guide</b>
<b>Ministerial Decision No. 114 of 2023</b>	Accounting Standards and Methods for Corporate Tax Purposes
<b>Ministerial Decision No. 115 of 2023</b>	Private Pension Funds and Private Social Security Funds for Corporate Tax Purposes
<b>Ministerial Decision No. 116 of 2023</b>	Participation Exemption for Corporate Tax Purposes
<b>Ministerial Decision No. 120 of 2023</b>	Adjustments under the Transitional Rules
<b>Ministerial Decision No. 125 of 2023</b>	Tax Group
<b>Ministerial Decision No. 126 of 2023</b>	General Interest Deduction Rule
<b>Ministerial Decision No. 127 of 2023</b>	Unincorporated Partnership, Foreign Partnership and Family Foundation
<b>Ministerial Decision No. 132 of 2023</b>	Transfers within a Qualifying Group
<b>Ministerial Decision No. 127 of 2023</b>	Business Restructuring Relief
<b>Ministerial Decision No. 127 of 2023</b>	General Rules for Determining Taxable Income

# Kingdom of Bahrain



## Minister of Finance and National Economy reveals Plans for Corporate Income Tax

Bahrain's Finance and National Economy Minister, Shaikh Salman bin Khalifa Al Khalifa, informed MPs, during their weekly session that the implementation of corporate tax in Bahrain would be contingent upon reaching an international agreement on the framework.

He stated that the Organization for Economic Co-operation and Development (OECD) was actively working on developing a global corporate taxation structure, and Bahrain is committed in following this direction.



National Economy Minister stated that implementation of Corporate Tax in Bahrain would be contingent.



# Kingdom of Saudi Arabia

## Determines criteria for Fourth Wave of the Integration Phase for the Country's new e-invoicing requirements

On 28 April 2023, Saudi Zakat, Tax, and Customs Authority (ZATCA) announced that it has determined the criteria for the fourth wave of the integration phase for E-Invoicing (FATOORA) requirements.

The Integration phase is being rolled out in waves for targeted taxpayer groups.

- 1<sup>st</sup> wave of the integration phase began on 1 January 2023 for taxpayers with VAT taxable revenue that exceeded SAR 3 billion in 2021
- 2<sup>nd</sup> wave will begin on 1 July 2023 for taxpayers with VAT taxable revenue that exceeded SAR 500 million in 2021
- 3<sup>rd</sup> wave will begin on 1 October 2023 for taxpayers with VAT taxable revenue that exceeded SAR 250 million in 2021 or 2022.

It has now been decided that the **fourth wave** will begin on 1 November 2023 for taxpayers with VAT taxable revenue that exceeded SAR 150 million in 2021 or 2022.

## Guideline on VAT Exemption of Real Estate Supplies and its Effect on Proportional Deduction Formula

The Zakat, Tax and Customs Authority ('ZATCA') has issued a new version [version 2.0] of the real estate guide which superseded the first version of December 2017.

The updated guide provides clarifications on the VAT and RETT treatment related to real estate activities and also explains the application of transitional provisions on exemption of real estate supplies from VAT.

The updated guide is directed to individuals and businesses operating in the real estate sector. This includes persons buying, selling or renting residential/commercial properties or any other types of real estate properties.

## KSA clarifies interpretation of 'Service PE' provisions

On 17 May 2023 the (ZATCA) has published a new circular which aims to clarify and provide guidance on the taxation of non-residents who provide services in KSA where an effective Tax Treaty is in place between KSA and the relevant jurisdiction.

The purpose of the Circular is to clarify which conditions need to be fulfilled to trigger a Service PE according to the relevant provision in the Tax Treaty.

Vide the circular ZATCA noted that paragraph 3(b) of Article 5 highlights three main tests to determine whether a service PE is deemed to exist:

- "Furnishing of services," which means the enterprise must provide services through its employees
- "Within," which means the employees must be physically present in Saudi Arabia
- "More than 183 days in any 12-month period," which necessitates being physically present in the country for a certain period to perform the services to determine whether or not the nonresident entity is deemed to create a PE in Saudi Arabia

In 2015, ZATCA had introduced the concept of a "Virtual Service PE", which triggered Service PE even without a physical presence of the service provider in KSA.

## State of Qatar

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### **Qatar amends Executive Regulations to the Income Tax Law**

On 16 May 2023, the Council of Ministers in the State of Qatar published Council of Ministers Decision No. 3 of 2023 (Amended Regulations), amending the Executive Regulations of the Income Tax Law.

The Amended Regulations principally focus on:

- expanded definition of permanent establishment (PE)
- revised determination of taxable income for a PE;
- amendments to certain criteria for tax exemption;
- expanded powers of the General Tax Authority (GTA) to collect information; and
- new economic substance rules.

## Oman

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### **New Tax Treaty between Egypt and Oman Signed**

According to a release published by Egypt's State Information Services, officials from Egypt and Oman signed a new income tax treaty on 22 May 2023.

An earlier treaty was signed in 2000 but never entered into force. The new tax treaty will enter into force after the ratification instruments are exchanged.

## Certain Other Jurisdictions

### OECD

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#### **OECD Consulting on Draft Toolkits to Support Developing Countries in Minerals Transfer Pricing**

The Organisation for Economic Cooperation and Development (OECD) and the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF) released for public consultation two toolkits to support developing countries in addressing base erosion and profit shifting (BEPS) risks when pricing minerals namely:

- Determining the Price of Minerals: A Transfer Pricing Framework
- Determining the Price of Minerals: A Transfer Pricing Framework, Schedule A: Bauxite

Comments on both toolkits are requested by 14 July 2023.

## OECD Progress Report on Tax Co-operation for the 21st Century

The OECD report provides an update on topics addressed in a report on international tax cooperation published in May 2022 and identifies potential areas of consideration for the future and next steps for policymakers.

The topics covered in the 2023 progress report include the following:

- How principles set forth in the 2022 report relating to corporate income tax are reflected in the work of the OECD/G20 Inclusive Framework on BEPS on a “two-pillar” solution
- Developments relating to the international information exchange framework, such as the OECD’s October 2022 release of guidance on the Crypto-Asset Reporting Framework (CARF) and amendments to the Common Reporting Standard (CRS); and

Regarding the two-pillar solution, the report discusses topics including the potential benefits for developing countries and capacity building to support the implementation of the rules by developing countries.

The 2023 progress report acknowledges that international cooperation increasingly depends on effective digital communication tools and indicates that the OECD is developing “a secure mechanism for tax administration communications” that is expected to be operational no later than 2024.

## IASB Amends Tax Accounting Requirements to Help Companies Respond to International Tax Reform

The IASB issued amendments to IAS 12, Income Taxes, to provide companies temporary relief from accounting for deferred taxes arising from the OECD's international tax reform.

According to the release, the amendments will introduce:

- A temporary exception from accounting for deferred taxes arising from jurisdictions implementing the global tax rules.
- Targeted disclosure requirements to help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

The IASB is also considering possible amendments to the IFRS for SMEs standard in relating to the OECD reforms and plans to publish an exposure draft in the second quarter of this year.





## Singapore

### Singapore Updates Guidance on 2024 GST Rate Change

On 19 May 2023, the Inland Revenue Authority of Singapore (IRAS) published a series of updates to guidance on the GST rate change.

The GST rate was increased from 7% to 8% from January 2023 and will be further increased to 9% from 1 January 2024.

Previously focused on the rate change from 1 January 2023, the different guidance has been updated to focus on the rate change from 1 January 2024, including:

- Preparing for GST Rate Change
- Overview of GST Rate Change
- Transitional Rules for GST Rate Change
- GST Rate on Imports of Low-Value Goods and B2C Imported Non-Digital Services
- Resources for GST rate change
- Adjustments and Concessions for GST Rate Change
- GST rate change for consumers

In addition to the updated guidance, the IRAS has also published a new e-Tax Guide, 2024 GST Rate Change: A Guide for GST-registered Businesses (First Edition). To prepare GST-registered businesses for the second increase in the GST rate from 8% to 9% with effect from 1 January 2024, the guide explains the general transitional rules applicable to transactions spanning the second rate change. It covers the time of supply rules and the GST rates chargeable, and provides information on the issuing of invoices, credit notes, and other requirements.

## India

### Reduces Threshold for Mandatory E-Invoicing

On 10 May 2023, India's Central Board of Indirect Taxes and Customs (CBIC) issued Notification No. 10/2023, which reduces the turnover threshold for mandatory e-invoicing for GST purposes.

The threshold is reduced from INR 100 million to INR 50 million with effect from 1 August 2023.

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On 19 May 2023, the Inland Revenue Authority of Singapore (IRAS) published a series of updates to guidance on the GST rate change. The GST rate was increased from 7% to 8% from January 2023 and will be further increased to 9% from 1 January 2024.

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# Our

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## Accounting & MIS Reporting

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

## Taxation

### 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
  - ✓ 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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### DUBAI

+971 4 250 0290

### ABU DHABI

+971 2 639 7737

### JEBEL ALI

+971 4 236 4599

### BAHRAIN

+973 3619 8998

### INDIA

+91 938810 6655

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