

GCC TAX & REGULATORY COMMUNIQUE

JANUARY 2024





UAE Tax and Regulatory updates

Corporate Tax guide on Tax Grouping

On 08 January 2024, Federal Tax Authority(FTA) issued the Corporate Tax Guide, which provides general guidance on Tax Grouping for Corporate Tax purposes. The key highlights are as follows-

- **Taxable Income of individual members of the Tax Group should be calculated in accordance with all provisions of the Corporate Tax Law, including the arm's length standard.** This means that **transactions between members of the Tax Group should be determined consistently with the arm's length standard.**
- A Tax Group is treated as a single Taxable Person for the purposes of the Corporate Tax Law . As a result, **the provisions of the Corporate Tax Law have to be applied to the Tax Group as a whole.**
- **Small Business Relief shall be determined by reference to the consolidated Revenue of the entire Tax Group.**
- While determining the **Taxable Income attributable to the member of the Tax Group that is the borrower, restrictions on Interest deduction under the General Interest Deduction Limitation Rule and the Specific Interest Deduction Limitation Rule have to be considered.**

Federal Tax Authority updates Emara Tax Portal

FTA has recently updated the Emara Tax Portal for a more user-friendly experience for taxpayers. The key highlights are as follows:-

- Now, taxpayers can easily **check the status of various registrations like VAT, Corporate Tax(CT), Tax Group, Excise, and Warehouse Ке эper.**
- Users can **view expired documents information on the dashboard** and take **required action to update the expired documents** accordingly.
- Further, **Corporate Tax Registration application cannot be processed without updating the expired documents on VAT application.** Which means, if any document has expired such as passport, trade license etc. the first taxpayer must update VAT application by using "Amend Taxable Person Details" and only then CT application can be processed further.

2024 updates to the Unified Customs Tariff of the GCC States

Dubai Customs has recently published Customs Notice No. 1 of 2024 to approve the 2024 amendments on the unified customs tariff table of the GCC States according to the 2022 edition and its subsequent updates.

The updates have been agreed at the GCC level, and other GCC customs authorities may announce their updated tariffs in the near future. In the UAE, **the amendments to the unified customs tariff table entered into force on 1 January 2024.** The **affected HS codes mainly fall under sectors/categories such as chemicals, pharmaceuticals, machinery and equipment, transport equipment, food and beverages, computers, etc.**



KSA Tax and Regulatory updates

Zakat, Tax and Customs Authority extended Tax Amnesty to 30 June 2024

The Zakat, Tax and Customs Authority (ZATCA) has announced that the **Tax Amnesty for the waiver of fines on certain taxes, including Corporate Income Tax (CIT), Withholding Tax (WHT), Value Added Tax (VAT) and Real Estate Transaction Tax (RETT)** has been extended for an **additional six months from 1 January 2024 until 30 June 2024**. The fines covered by the Tax Amnesty are for late registration with ZATCA, late payment, late submission of returns, corrections to VAT returns and violations of e-invoicing and general VAT requirements. The Tax Amnesty does not cover fines imposed for tax evasion and fines already paid.

To benefit from the Tax Amnesty, taxpayers must:

- Be **registered** with ZATCA.
- Submit all **outstanding returns** and correct any incorrectly disclosed taxes in previously filed returns; and
- Pay all the **principal tax debt related to the submitted** and amended returns or agree an instalment plan with ZATCA and **make the required payments before the expiry of the Tax Amnesty**.

ZATCA announces The Rules of Customs Procedures

ZATCA has **approved the Rules of Customs Procedures (“the rules”)**, which **were earlier made available for public consultation and have now been published in the Saudi Official Gazette Umm Al-Qura** . The Rules of Customs Procedures aim at facilitating trade and simplify customs procedures, by clarifying the requirements regarding both standard customs procedures, and cases where exemption, suspension (including SEZ) and postponement of the payment of customs duties can be availed by businesses.

ZATCA Proposed Amendments to the RETT Regulations

ZATCA has published proposed amendments to the various provisions of the Implementing Regulations of the Real Estate Transaction Tax (‘RETT’). The proposed amendments were published on the Public Consultation Platform of the National Competitiveness Center on 5 December 2023 – for public consultation . The key highlights are:-

- **RETT exemption on disposal of real estate as an in kind contribution is proposed to be extended to all types of real estate funds.** Currently real estate funds established for renting purposes are excluded from this exemption.
- **Exemption from RETT application on disposal of real estate to a company is proposed to be extended to any person provided that real estate was recorded in the company’s assets before the effective date of the regulation and that person is a shareholder in that company on the date** the real estate is recorded in the company’s assets. Currently it is limited to shareholder/co-owner.
- **The date of disposal in relation to the build, own, operate and transfer projects will be the date of actual transfer of ownership or possession to whom the real estate is disposed to** has been proposed to be added.

ZATCA Proposed amendments to the VAT recovery rules by Licensed Real Estate Developers

On 10 January 2024, ZATCA have published proposed amendment relating to VAT recovery by qualified licensed real estate developers, on goods and services purchased by them in relation to their exempt supplies of real estate, for public consultation. The key highlights are:-

- All eligible real estate developers will be allowed to **retroactively claim a refund of VAT paid on their purchases related to qualified real estate supplies effective from 4 October 2020.**
- Eligible **real estate developers, whose properties were under suspension by the relevant authority, are permitted to refund VAT on goods or services related to qualified real estate transactions when the suspension is lifted.**
- This applies to **supplies eligible for a refund and is proportionate to the extent linked to qualified real estate.**

Interested stakeholders and taxpayers are encouraged to express their opinions and share feedback on such proposed changes no later than 8 February 2024.



ZATCA publishes Circular on Private Educational Services Provided to Saudi Citizens and VAT treatment

ZATCA published a Circular on its official website **explaining the VAT treatment of private educational services provided to Saudi citizens.** This circular covers:-

- The eligible persons who can avail the benefit of not being charged VAT vs. applying 15% VAT rate includes any person who **holds “Saudi Arabian nationality” and benefiting from qualified private educational services.**
- The **qualified private educational services** which includes **Private and international schools** accredited by the Ministry of Education.
- The **private educational services** includes **services provided by the qualified suppliers that include the value of tuition fees and textbook sold by them.**
- The **obligations** on **suppliers** of such services is to **issue tax invoices** that contain the **national ID number and contact details of the citizen benefiting** from such **services.**

Kingdom of Saudi Arabia Issues New Regulations for Regional Headquarters Program

Effective January 1, 2024, the Council of Ministers of the Kingdom of Saudi Arabia (KSA) implemented Decision No. 461, which contains key regulations relating to the Regional Headquarters (RHQ) program . The Decision **specifically affects interactions between government bodies and international companies lacking RHQs in the KSA,** providing guidance for contractual agreements between government entities and firms without an RHQ in the KSA .The key highlights of the decision are:-

- It clarifies that **contracts related to works and purchases below one million Saudi Arabian Riyals (SAR), especially for international procurement tasks conducted outside the KSA, are permissible.**
- It also explains that **companies without an RHQ in the KSA are allowed to participate in public tenders issued by government agencies, albeit under specified conditions.**
- The Decision **authorizes government agencies to engage with companies lacking an RHQ for particular projects or durations, contingent upon approval from the “Committee on Exemption from the Controls of Government Agencies Contracting with Companies without RHQ in the KSA and the Related Parties”.**

KSA Finance Minister Reaffirms No personal income tax Plans Are Underway

At the World Economic Forum (WEF) in Davos on January 20, 2024, KSA Finance Minister, Mohammed Al-Jadaan, announced that the **KSA has no plans to implement personal income tax (PIT)**. This declaration confirms the Kingdom's priorities, as laid down in the comprehensive KSA Vision 2030 agenda. Al-Jadaan clarified that the KSA will maintain its current tax system structure, which encompasses value-added tax (VAT), corporate income tax (CIT) for foreign entities, and Zakat for domestic companies.





OMAN Tax and Regulatory updates

Oman ratifies the Double Tax Treaty with Russia

A Royal Decree was issued on 27 December 2023 by the **Sultan of Oman, ratifying the Double Tax Treaty (DTT)** which was published in the Official Gazette on 31 December 2023. The key highlights are:-

- Russia is yet to ratify the DTT and shall be applicable on income tax and tax on capital.
- **Foreign national residents of Oman or Russia may benefit from the DTT.**
- The DTT provisions will become effective as of the first day of January of the calendar year following the entry into force of the DTT for withholding tax (“WHT”), while for other taxes from for any tax year starting from the first day of January of the calendar year following the entry into force.
- Since Russia has not yet ratified the DTT, **the DTT is expected to enter into force the earliest by January 2025.**



European Union (EU) Commission Issues Infringement Decisions Against 9 Member States For Not Enacting Pillar 2

On January 25, 2024 the EU Commission announced infringement decisions against these EU member states as they have not transposed the EU Minimum Tax Directive into domestic law. Most EU Member States have duly transposed the Directive. **The nine who did not are Cyprus, Estonia, Greece, Latvia, Lithuania, Malta, Poland, Portugal and Spain.** Of these, Cyprus, Estonia, Latvia, Lithuania and Malta have explicitly stated that they will delay Pillar Two implementation, or at least do it in stages.

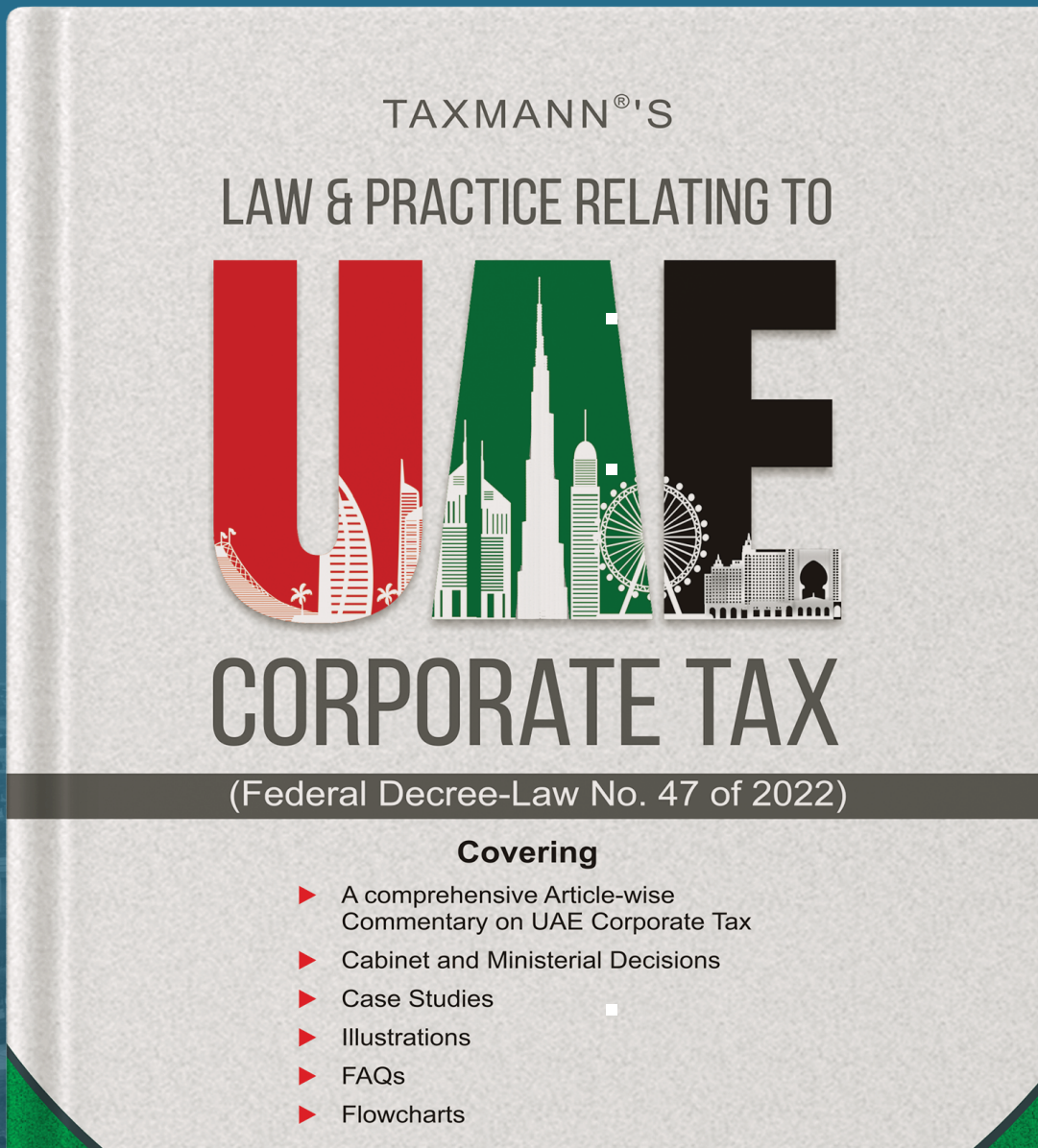
Spain publishes draft legislation on implementation of EU Minimum Tax Directive

Spain draft legislation includes the **Income Inclusion Rule** and a **Qualified Domestic Minimum Top-up Tax (QDMTT)** applicable for **fiscal years starting on or after 31 December 2023**, as well as an **Undertaxed Profits Rule (UTPR)** **generally applicable for fiscal years starting on or after 31 December 2024**. In addition, the draft legislation contains a Transitional CBCR Safe Harbor, a Safe Harbor for QDMTT and a Transitional UTPR Safe Harbor. The draft bill was subject to public consultation until 19 January 2024.

OECD releases updated estimates of the economic impact of Pillar Two

On 9 January 2024, the Organization for Economic Co-operation and Development released a **working paper "The Global Minimum and the taxation on MNE profit,"** with updated estimates of the economic impact of the Pillar Two global minimum tax. The working paper has four main findings:-

- The **global minimum tax is estimated to reduce tax-rate differentials across jurisdictions.**
- **Profit shifting is estimated to be reduced by about half** as a result of the global minimum tax.
- The global minimum tax is estimated **to reduce the global amount of MNE profit taxed below the 15% minimum effective tax rate by about 80%.**
- The global minimum tax is estimated to **increase corporate income tax (CIT) revenues by US\$155b-192b on average per year**, which represents between 6.5%-8.1% of current global CIT revenues.



Pre-book

**Taxmann's Law & Practice
Relating To UAE Corporate Tax**

- By CA Nirav Shah

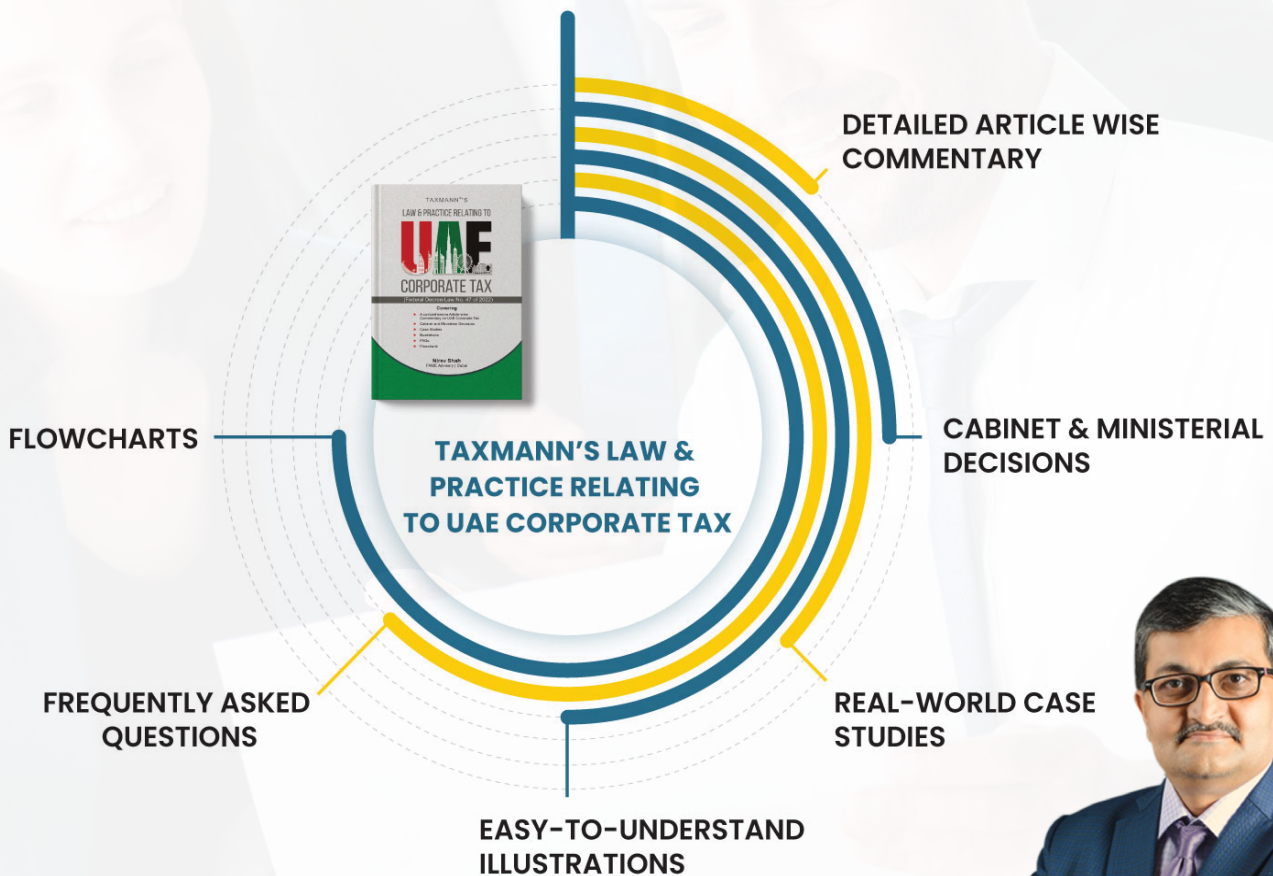


Get Exclusive Access!

What you get with this Book?

Mr Nirav Shah crafted this amazing book covering all the aspects of corporate tax and explains them in an easy-to-understand writing tone and style. It also includes flowcharts and infographics along with real-time case studies to impart better learning.

WHAT TO EXPECT WITH NIRAV SHAH'S NEW PUBLICATION?



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