GCC Tax & Regulatory Communique July 2024

UAE Tax and Regulatory updates

Dubai Customs announces new policy on the Voluntary Disclosure System

Dubai Customs has announced Customs Policy No. (58/2024) on the "Voluntary Disclosure System". A self-disclosure process was already in place with Dubai Customs but in an effort to promote good customs practices, Dubai Customs has provided new streamlined rules to encourage businesses to voluntarily disclose errors made in regards to customs compliance.

The rules outline the processes and procedures of the "Voluntary Disclosure System" and how businesses can voluntarily inform Dubai Customs upon discovering an error or violation through the submission of a voluntary disclosure request via the electronic customs system . The voluntary disclosure applies to the following violations:-

Import and export violations	Violations in areas supervised by customs
Customs declaration violations	Temporary import violations
Transit violations	Re-export violations
Warehouse violations	Any other customs violations

Definition of 'Related Parties' when common ownership and/or Control is through a Government Entity

Federal Tax Authority (FTA) has released Public Clarification CTP002 which states that Common ownership or control by a federal government or local government is not in itself a basis for being Related Parties for the purpose of Article 35 of CT Law. Which means, Taxable Persons whose only common ownership of at least 50% or Control (either directly or indirectly) is through the Federal Government or Local Government, are not Related Parties for the purposes of Article 35 of the Corporate Tax Law. **However, the entities within each Group structure will be considered as Related Parties.**

FTA Issues Public Clarification on First Tax Period of a juridical person

On 30 July 2024, FTA has released Public Clarification CTP003 on First Tax Period of a juridical person . The key highlights are outlined below:-

- The **financial year followed by the Taxable Person under the Commercial Companies Law** shall be **accepted as the Financial Year** and, therefore, **will be the Tax Period for the Corporate Tax Law.**
- Where, as a result, **the first Tax Period of such Taxable Person is not a 12-month period but a period between 6 months and 18 months,** the Taxable Person i**s not required to make any application to the FTA to change its Tax Period.**
- A **Taxable Person is still required to register for Corporate Tax** even where the **cessation takes place after the start of the first Tax Period.**
- Where a Taxable Person **ceases their Business or Business Activities during their first Tax Period, their first Tax Period will come to an end on the cessation date.**

FTA announces implementation of Advance Pricing Agreement in Q4 2024

The UAE FTA updated Decision No. 4 of 2024 on 12 June 2024, clarifying the future implementation of an advance pricing agreements (APAs) framework in the UAE . As per Article 59 of the UAE CT Law provides that a person may make an application to the FTA in relation to the conclusion of an Advance Pricing Agreement (APA) with respect to a transaction or arrangement proposed or entered into . The start date for receiving applications for advance pricing agreements and procedures related to the submission of applications and the issuance of agreements will be announced in the fourth quarter of 2024. This policy outlines the general framework for procedures of clarifications and directives, while the processes and details shall be specified by the Authority.

KSA Tax and Regulatory updates

KSA increased Customs Duty on Specific Electrical Items

The Kingdom of Saudi Arabia (KSA) Minister of Finance has issued Ministerial Decree No. 1-88-1446, dated 01/05/1446 AH (corresponding to 11 July 2024), increasing the customs duty rates on specific electrical equipment and apparatus from 5% to 15%, effective from 16 July 2024. This adjustment aims to safeguard and promote local industries, encouraging the growth of domestic products. The new duty rates align with KSA's commitment to the World Trade Organization regarding applicable limits for duty rate adjustments.

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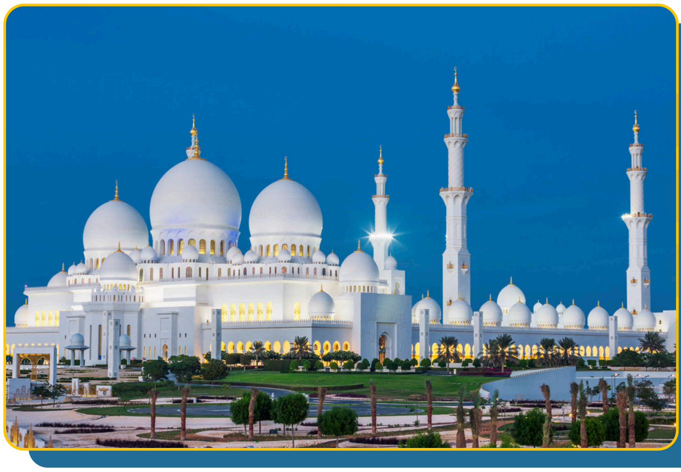
Oman Tax and Regulatory updates



Personal Income Tax in Oman

The Majlis al-Shura, the lower house of the Omani parliament, approved a draft law, forwarding it to the state Council, the Upper house, to approve the final legislative step . The decision, announced during the shura's 12th regular session, signal a shift in a region that has long relied on a no-income tax policy to attract expatriates and drive economic development.

International Tax updates

Corporate Income Tax in Bahrain

Bahraini law makers have proposed a new law to introduce a corporate income tax, aiming to foster sustainable economic growth and improve collaboration between the public and private sectors . The Finance and National Economy Minister Shaikh Salman bin Khalifa Al Khalifa quoted "It is a global direction to impose corporate taxes and Bahrain is committed to comply with the move". Draft legislation to this effect is expected to be issued this year and companies are best advised to get ready for this now .

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Singapore updates its Transfer Pricing Guidelines

The Inland Revenue Authority of Singapore has published the 7th Edition of its Transfer Pricing Guidelines. The new edition provides updates and additional transfer pricing (TP) guidance in several areas, including TP documentation, financial services TP, TP audits and the 5% TP surcharge.

Tax Treaty between the KSA and the Slovak Republic

On August 1, 2024, the Income Tax Treaty between the Kingdom of Saudi Arabia (KSA) and the Slovak Republic will enter into force. This treaty will generally apply from January 1, 2025, for withholding and other taxes. The agreement sets forth a strategic collaboration between both nations to create a systematic framework for addressing tax matters

Hong Kong passes bill on patent-box tax incentive

On 26 June 2024, the Hong Kong legislative council passed the bill to introduce a new patent-box regime in Hong Kong under which qualifying income will be taxed at 5%. The portion of eligible intellectual property (IP) income that will be taxed at the 5% concessionary rate will be determined in a manner that would be consistent with the "nexus approach" in BEPS Action 5 and will also take into account certain expenditures incurred by previous owners of the intangible asset, if conditions are met.

2% Minimum Tax proposed for World's Super Rich

French economist Gabriel Zucman has proposed a new approach to taxing the ultra-wealthy, suggesting a harmonized global presumptive income tax of at least 2% on billionaires' net worth. Under Zucman's plan, billionaires paying the 2% tax would be exempt from other income taxes, while those paying less would owe a top-up tax. The proposal takes into account individual income taxes, wealth taxes, and economically equivalent levies, excluding payroll taxes, property taxes, corporate taxes, and consumption taxes.

Australian 15% global and domestic minimum taxes law introduced into Parliament

On 4 July 2024, the Australian Government introduced legislation into Parliament to implement Australia's adoption of the Organisation for Economic Co-operation and Development (OECD)/G20 Pillar Two solution, including a 15% global minimum tax and domestic minimum tax (DMT) following public consultation of exposure drafts (EDs) in March 2024. Legislation has been introduced to implement-

- an Income Inclusion Rule (IIR) applying to years starting from 1 January 2024;
- an Undertaxed Profits Rule (UTPR) applying to years starting from 1 January 2025; and
- a domestic minimum tax applying to years starting from 1 January 2024.

India proposed 2024-2025 Budget

The Finance Minister of India presented the Finance Bill for the fiscal year 2024-2025 (Bill) in the Indian Parliament on 23 July 2024, proposing changes to tax laws, effective from 1 April 2024. The proposed key amendments are highlighted below:-

- Change in the tax rate for New Tax Regime (NTR)
- Increase in standard deduction for NTR from INR 50,000 to INR 75,000
- Higher deduction for National Pension Scheme (NPS) under NTR
- Change in the holding period for classification of certain assets as long-term or short-term
- Revocation of the exemption from capital gains taxation for buyback of shares effective 1 October 2024
- Change in tax rate for short-term capital gain on listed equity shares and equity-oriented mutual funds has been increased from 15% to 20%
- The tax rate on the long-term capital gain on listed equity shares and equity-oriented mutual fund has been increased from 10% to 12.5%

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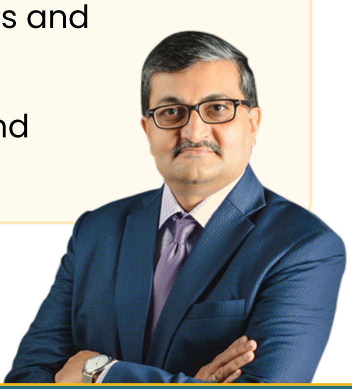

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