



**GCC Tax & Regulatory
Communique**
October 2024

UAE Tax and Regulatory Updates

UAE VAT Executive Regulation Amendments



On 2nd October 2024 the Federal Tax Authority (FTA) published the amended version of the Executive Regulation of Federal Decree-Law No. 8 of 2017 on Value Added Tax Executive Regulation (VAT ER) with an effective date as of 15 November 2024. The key highlights are outlined below:-

- **Financial services** –The VAT exemption for financial services in Article 42 of the VAT ER has been extended to include Management of investment funds (services provided independently by a fund manager for a fee, to funds licensed by a competent authority) and transfer of ownership of virtual assets, including virtual currencies, and the conversion of Virtual Assets. **Virtual Asset** are defined as “**Digital representation of value that can be digitally traded or converted and can be used for investment purposes and does not include digital representations of fiat currencies or financial securities.**
- **Zero-rate for the export of goods** –FTA Specifies the documents which are required for Zero rating the export of goods.
- **Input VAT recovery health insurance expenses**–It enables businesses to recover input VAT on health insurance expenses for one spouse and three children under the age of 18, even if it is not mandated by the regulatory law of the Emirate.
- **Tax Deregistration**– Clause 9 has been added which states that deregistration does not absolve a Person from having to comply with the provisions of the Decree-Law and this Decision, including filing another Tax Registration application when the Tax Registration requirements are met.

These changes enhance clarity and flexibility for businesses across various sectors. It is an ideal time to review your VAT practices and ensure compliance with the new regulations.

Please refer to our separate communication in this regard for further details.

The UAE Ministry of Finance Cancels Economic Substance Regulations

On October 10, 2024, the Cabinet of Ministers issued Decision No. (98) of 2024, introducing key amendments to the Economic Substance Regulations (ESR). Here are the highlights:-

- Scope of Cabinet Resolution No. (57) of 2020 concerning the Determination of Economic Substance Requirements shall remain applicable only for fiscal years commencing from 01/01/2019 to the fiscal year ending on 31/12/2022. The ESR regime in the UAE has been withdrawn for Financial Years starting after 31/12/2022.
- The Entities should maintain the proper documentation with regards to ESR submissions done for effective ESR period – FY starting on or after 01/01/2019 till Financial Year ending on or before 31st December 2022 as FTA may conduct ESR Audit.
- To that effect, administrative fines imposed post this effective period shall be ineffective and the authority shall refund the fines paid by the Licensees for fiscal year ending after December 31, 2022. All the grievances filed for fiscal year ending after December 31, 2022 shall be ended.

Please refer to our separate communication in this regard for further details.

Public Clarification (CTP004) on Postponement of the Deadline for Corporate Tax Return and Payment

On October 10, 2024, FTA published new Corporate Tax Public Clarification (CTP004) which discusses the postponement of the deadline to file a tax return and settle the Corporate Tax payable for certain tax periods . Here are the key highlights:-

- This includes:
 - Juridical persons that were **incorporated in June 2023 or on 1 July 2023 in the UAE** and have a **January to December Financial Year**.
 - Juridical persons that were incorporated in **June 2023, July 2023, or on 1 August 2023** in the UAE and have a **February to January Financial Year**.
 - Juridical persons that were incorporated in **June 2023, July 2023, August 2023 or on 1 September 2023** in the UAE and have a **March to February Financial Year**.
 - Taxable Persons **with a short Tax Period because they ceased to exist, ceased their Business, dissolved, liquidated or otherwise on or prior to 29 February 2024**.
- This decision **will not apply to any Taxable Person whose Tax Period ends after 29 February 2024**.

Transfer Pricing Disclosure Form under UAE Corporate Tax

The Federal Tax Authority (FTA) has recently updated the Corporate Tax (CT) Return Form, particularly concerning the Transfer Pricing (TP) Disclosure Form. It is not a separate stand-alone form to be filled and filed but one of the segments/components of the CT Return Form. In the TP Disclosure form, FTA seeks the following information to be provided by the Taxpayers:

- **Related Party Transactions Reporting Schedule Requirements**—includes legal full name of the Related Party (RP), Transaction Type with RP, Country of Tax Residence of the related party, Corporate Tax TRN of RP, Gross Value of Transaction in AED, TP method adopted (TNMM, CUP, CPM, RPM), Arm Length Value (shall be determined from the benchmarking conducted during the tax period) and Tax Adjustment (Difference of Income/expense & Arm Length Value).
- **Payments/ Benefits to Connected Persons Reporting Requirements**—includes full Name of the Connected Person (CP), Corporate Tax TRN of CP, Payment along with Description of payment made or benefit provided to CP, Actual value of payment or benefit in AED, Market value of payment or benefit (shall be determined from the benchmarking conducted during the tax period), Tax Adjustment (Difference of Income/expense & Arm Length Value).

Please refer to our separate communication in this regard for further details.

New Guide on Tax Residency and Tax Residency Certificate

On October 18, 2024, the UAE Federal Tax Authority (FTA) published a new guide “Tax Residency and Tax Residency Certificate – Tax Procedures Guide (TGPTR1). Here are the key highlights:-

- The guide addresses to the Place of Effective Management (POEM) as a criterion for determining UAE Corporate Tax Residency. It also states the facts and circumstances that need to be considered when deciding if key management and commercial decisions are made in the UAE or elsewhere, on the basis of which POEM is determined. In particular, three tests are outlined in the guide i.e. **the board of directors test, the delegation of authority test, and the shareholder activity test.**
- The guide also explains who can qualify for the Tax Residence Certificate (TRC) and the procedures to obtain it. It also states that TRC cannot be obtained for future periods (i.e., periods that have not commenced) and for periods exceeding 12 months.

CT Guide on Real Estate Investment for Natural Persons (CTGREII)

On 24th October 2024, the Federal Tax Authority (FTA) published a Corporate Tax (CT) Guide on “Real Estate Investment for Natural Persons” (CTGREII), aiming to provide general guidance on taxation of Natural Persons relating to income from real estate investments under the CT Law. Here are the key highlights:-

- Natural persons are only subject to UAE Corporate Tax if their total revenue from a business or business activity exceeds AED 1 million.
- Real Estate Investment Income: Includes selling, leasing, or sub-leasing property. However, activities requiring a license are subject to corporate tax if income exceeds AED 1 million.
- A natural person leasing out residential property in their own name is not subject to Corporate Tax, even if a manager or agent is used.
- Income from holiday home rentals, a licensable activity, is subject to Corporate Tax if revenue exceeds AED 1 million.

Please refer to our separate communication in this regard for further details.

UAE Plans to Implement Mandatory E-Invoicing by 2026

The United Arab Emirates (UAE) is set to revolutionize its invoicing system with the introduction of E-Invoicing by 2026. The Ministry of Finance of the UAE posted on its website a plan to implement an Electronic Invoicing (E-Invoicing) mandate that would apply to Business-to-Business (B2B) and Business-to-Government (B2G) transactions, **while Business-to-Consumer (B2C) transactions will, for now, be considered out of scope**. The e-invoicing system is set to be deployed using the Open Peppol network, functioning as a decentralized continuous transaction control and exchange five corners model. The Ministry of Finance has indicated that the purposes of the mandate are to enhance the digitalization of the UAE and its fiscal ecosystem, improve efficiency both in the public and private sectors, and minimize VAT fraud.

KSA Tax and Regulatory Updates

KSA Approved RETT Law



The Real Estate Transaction Tax (RETT) Law in the Kingdom of Saudi Arabia (KSA) has been enacted under Royal Decree No. M/84, issued on 22nd September 2024 and Council of Ministers Decision no. 239, dated 17th September 2024. This marks a significant regulatory development. The legislation published in the official Saudi Gazette on 11th October 2024 will become effective 180 days after its publication. Here are the key highlights:-

- The RETT Law defines a real estate company as any company, fund, or entity that owns real estate in KSA with the aim of generating revenue through its sale or lease, and the fair market value of such real estate exceeds 50% of the total fair market value of the company, fund, or entity's assets. The transfer of shares of a real estate company is not specifically included in the definition of a real estate transaction.
- Article 7 of the RETT Law introduces a three-year period of statutory limitation, beyond which the Zakat, Tax and Customs Authority (ZATCA) shall not conduct assessments on real estate transactions, unless in cases of evasion.
- The Law brings back the provision concerning discretionary exemptions that may be applied by the Council of Ministers in certain exceptional cases.

International Tax Updates

Germany Finalizes E-Invoicing Administrative Guidance



On 15th October 2024, The German Federal Ministry of Finance (MoF), finalized its guidance on the issuance mandatory Electronic Invoices in the Business-to-Business (B2B) sector. The new rules apply beginning 1st January 2025. The use of Electronic Invoicing (E-Invoicing) is prescribed from 1st January 2025 for certain sales between domestic companies (i.e., B2B).

Germany Publishes Pillar Two Notification Form

On 17th October 2024, the German Ministry of Finance (MoF) published a Pillar Two Notification Form. The head of any 'German minimum tax groups' must file this notification form with the German Federal Central Tax Office no later than two months after the end of its taxable period for Pillar Two purposes. Which means, the first-time notification deadline is 28th February 2025 for Multinational Enterprise Groups (MNE Groups) with a financial year that is equal to the calendar year. The form for the notification needs to be filed electronically and the filing is expected to be possible starting on January 2, 2025.

Thus, taxpayers should determine which entity is the head of the German tax minimum group and that entity must meet its notification filing and tax payment requirements.

Oman and the Grand Duchy of Luxembourg Signed an Agreement to Prevent Double Taxation

On October 17, 2024, the Sultanate of Oman and the Grand Duchy of Luxembourg signed an agreement to prevent double taxation on income and combat tax evasion. This agreement seeks to offer legal safeguards to investors against double taxation and establish clear taxation mechanisms, fostering increased investment and trade relations between the two countries.

Join the Conversation:
**A UAE Corporate Tax
 FAQs Platform**

As a part of our commitment to keeping you informed on the latest tax developments in the region, **we are excited to announce the launch of**



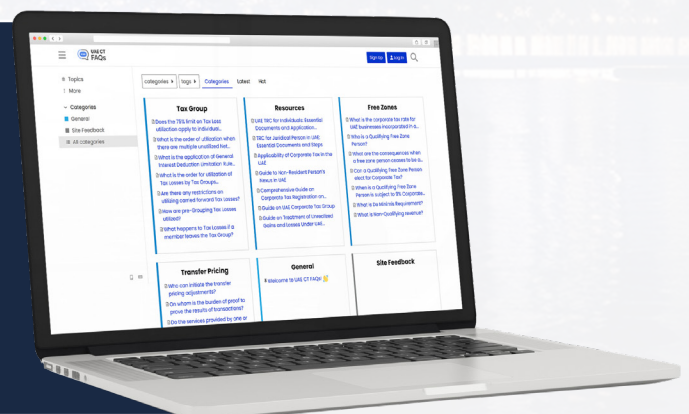
UAE CT FAQs

a dedicated platform for professionals and business owners to discuss and stay up to date with all things Corporate Tax in the UAE.

Whether you're navigating new tax regulations, understanding filing procedures, or seeking clarity on recent legislative changes, UAE CT FAQs offers a trusted space to:

- Ask questions and get answers from tax experts.
- Stay updated with the latest Corporate Tax developments.
- Share knowledge and learn from a community of professionals.

We invite you to explore this new platform and connect with like-minded peers to ensure your business stays compliant and informed.





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