FAME ADVISORY

GCC Tax & Regulatory Communique
December 2024

www.fame.ae

FAME ADVISORY

UAE to impose 15% Domestic Minimum Top-up Tax on large multinationals from January 2025

The United Arab Emirates will impose a Domestic Minimum Top-up Tax (DMTT) of 15% on large multinational companies operating in the country starting in January 2025. DMTT is part of the OECD's global minimum Corporate Tax agreement which has 136 signatories, including the UAE, to ensure big companies pay a minimum 15% tax and to make tax avoidance harder. It outlines critical aspects as below:

- The DMTT comes under the Organization for Economic Co-operation and Development's (OECD) Two-Pillar Solution, which stipulates that large multinational enterprises pay a minimum effective tax rate of 15% on profits in each country where they operate.
- DMTT will apply to companies with consolidated global revenue of 750 million euros ($793.50 million) or more in at least two out of the four financial years preceding the one in which the tax comes into effect.
- The UAE's finance ministry said it is also considering introducing a number of Corporate Tax incentives, including one for Research and Development (R&D) that would apply for tax periods starting in 2026.
- A refundable tax credit for high-value employment activities that would be granted to companies as a percentage of eligible income costs for employees is also being considered and could be applied as early as January 1, 2025.

FAME ADVISORY

UAE – Other Updates

Ministerial Decision No 301

In a recent development, the UAE Ministry of Finance (MoF) has issued Ministerial Decision (MD) No. 301 of 2024 which repeals and replaces earlier MD No. 125 of 2023 on Tax Groups for the purpose of Federal Decree Law No. 47 of 2022 (UAE CT law). The amended MD is applicable for tax period commencing on or after 1st January 2025. Following is the synopsis of the MD 301:

Article 3

- The requirement for taxable person with effective management and control in the UAE or any foreign country to obtain confirmation/ certification to substantiate that the person is not a tax resident of other country has been eliminated.

Article 8

- In cases where a member(s) has eligible Foreign Tax Credit (FTC), the requirement to compute taxable income of such member(s) in compliance with transfer pricing guidelines has been eliminated.
- Taxable income of newly added member(s) should be computed in compliance with transfer pricing guidelines, if existing tax group has unutilized tax loss prior to such new member joining the group.
- **Additionally, it has been clarified that the pre-grouping unutilized losses/ carried forward net interest expenditure shall be forfeited if both the following conditions are fulfilled:**
    - The taxable income of member(s) is not computed in line with transfer pricing guidelines; and
    - The utilized pre-grouping losses/ carried forward net interest expenditure are less than the amount that could have been utilized in accordance with the provisions of CT law.

Article 13

- On leaving/ cessation of a tax group, leaving member(s) are required to prepare standalone financial statements on the same accounting basis as well as same elections as applied by the tax group.

FAME ADVISORY

UAE – Other Updates

Ministerial Decision No 302

The MoF has announced amendments to existing MD No. 116 of 2023 on the participation exemption and foreign permanent establishment exemption for the purpose of UAE CT law by issuance of an updated MD No. 302 of 2024. The amended MD is applicable for tax period commencing on or after 1st January 2025. The key changes brought about by this new decision are explained as follows:

Article 4

- It clarifies that in case of transfer as per Article 27 of UAE CT Law, the period of 2 years shall commence from the date of first exempt transfer and shall continue for such subsequent transfers.

Article 8

- The applicability of threshold of AED 4,000,000 has been extended (as an alternative) to the condition of minimum 5% entitlement to profits available for distribution and liquidation proceeds from the Participation.

Article 6

- A Participation shall be considered to have met the requirement of Article 23(2)(b) of UAE CT Law, if tax is levied at a **statutory** rate not less than 9% and subject to fulfilment of other clauses of this article.

Article 9

- The asset test shall apply only where participation is a related party of the taxable person.

FAME ADVISORY

UAE – Other Updates

Correcting errors or omissions in VAT Returns

The Federal Tax Authority (FTA) has announced Decision No. 8 of 2024, introducing a new framework for correcting errors or omissions in VAT Returns, effective from January 1, 2025. This decision aims to clarify VAT compliance's structure without affecting the due tax amount. The key takeaways in this new decision are explained as follows:

- Voluntary Disclosure is required for reporting errors without a tax difference.
- Applicable scenarios include:
  - Misreporting standard-rated taxable supplies between Emirates;
  - Errors in zero-rated taxable supplies (overstated or understated); and
  - Errors in exempt supplies (overstated or understated).

Why it Matters: This decision simplifies compliance and promotes transparency, helping businesses avoid unnecessary complications

FAME ADVISORY

UAE – Other Updates

VAT Refund for Tourists on E-Commerce Purchases

The FTA of UAE has recently issued a press release and announced the launch of the unique and comprehensive system called 'VAT Refund for Tourists on E-Commerce Purchases' which is a VAT refund system, in collaboration with Planet, for e-commerce retail purchases made by overseas tourists during their stay in the UAE, marking the first system of its kind globally.

The recent launch is followed by FTA's Decision No. 2 of 2024 dated 19th February 2024 wherein the FTA amended the 'Tax Refunds for Tourists Scheme' with effect from 1st March 2024 and introduced a new provision to allow overseas tourists to request VAT refunds for goods bought by overseas tourists in UAE through E-commerce platforms.

30% alcohol sales tax to be reinstated from January 2025

In January 2023, Dubai Municipality announced a plan to remove the 30% tax on alcohol sales in the emirate for a year, which was then extended until the end of December 2024.

Recently, the Dubai Government has mandated the reinstatement of the 30% municipality tax on alcoholic beverage purchases, effective from January 2025. All orders invoiced from 1st January 2025, will be subject to this tax.

FAME ADVISORY

KSA Tax and Regulatory Updates

ZATCA Extends Cancellation of Fines and Exemption of Penalties Initiative to June 2025

- The initiative covers penalties for late registration, late payment, late filing of tax returns, value-added tax (VAT) return corrections, violations discovered during field controls, related to e-invoicing, and other general VAT provisions.
- To qualify, taxpayers must be registered in the tax system, submit all outstanding returns with accurate tax disclosure, and pay fully the principal tax owed on submitted or amended returns.
- Taxpayers may request installment plans during the initiative period, provided that all installments are paid on time, according to the approved plan.
- The initiative excludes fines related to tax evasion, fines already paid before the initiative's effective date, and fines for returns due after December 31, 2024.
- ZATCA urges taxpayers to review the details of the initiative and the provisions in the simplified guide which provides comprehensive information on fines, exemption conditions, installment procedures, and violations, along with illustrative examples.

Kuwait Tax and Regulatory Updates

Kuwait proposes 15% Corporate Tax Rate

Kuwait is poised to introduce a Corporate Income Tax as part of sweeping fiscal reforms, with the Ministry of Finance proposing a 15% tax on corporate profits starting in 2025. Below are the key highlights:

- The draft law outlines that the tax will apply to profits earned after January 1, 2025, with broader implementation extending to additional businesses starting in 2027.
- Initial advance tax payments would begin in 2026.
- Companies wholly owned by the Kuwait would be exempt, while certain income from divided zones, including the submerged divided zone, would face a higher tax rate of 30 percent, reduced for taxpayers who have already paid 50 percent of taxes to Saudi Arabia.
- A supplementary tax is proposed for multinational corporations operating with effective tax rates below the minimum 15 percent, ensuring compliance with international tax standards.
- Additionally, a 5 percent withholding tax would apply to specific payments made to non-residents, such as dividends, royalties, rent, technical services, and insurance premiums, unless tied to permanent establishments in Kuwait.
- Companies must register with the Tax Administration within 30 days of beginning operations and Tax returns accompanied by audited financial statements, would need to be filed within six months from the end of the tax year.

FAME ADVISORY

Bahrain Tax and Regulatory Updates

Bahrain to impose 15% Domestic Minimum Top-up Tax on large multinationals from January 2025

On December 15, 2024, Bahrain's National Bureau for Revenue (NBR) officially released the executive regulations for the Domestic Minimum Top-Up Tax (DMTT) applicable to multinational enterprises (MNEs). These regulations complement the primary DMTT law, which was introduced on September 1, 2024, and will come into force on January 1, 2025.

- The DMTT law applies a 15 percent effective tax rate on the profits of MNEs with global consolidated revenues of at least EUR 750 million in two or more of the last four fiscal years. This includes both MNEs headquartered in Bahrain and foreign MNEs with operations within the country. Notably, local businesses with operations limited to Bahrain or those that do not meet the revenue threshold will not be affected by the law.
- One of the key aspects of the DMTT Regulations is the registration requirement. Affected MNE Groups will need to register with the NBR by January 30, 2025, even if they qualify for safe harbors or de minimis exclusions. The registration process is extensive, requiring MNEs to make decisions on various matters, including appointing a Filing Constituent Entity (CE).
- Furthermore, registered MNE Groups will be required to make quarterly advance payments, with the first payment due 60 days after the close of the first quarter of 2025. The advance payment for the Transition Year will be due on the same date as the second advance payment for the year.

FAME ADVISORY

DMTT registration portal is now open in Bahrain

The NBR has launched a significant update to its online tax portal, now including a dedicated section for Domestic Minimum Top-Up Tax (DMTT) registration.

The DMTT Law provides the legislative basis for the introduction and implementation of a DMTT in Bahrain, and it is intended to be consistent with the OECD Global Anti-Base Erosion (GloBE) Model Rules.

FAQs were also published on the NBR website, and these provide a number of useful clarifications to the DMTT Law.

The FAQs clarify that the DMTT Law is effective for financial years starting on or after 1 January 2025.

FAME ADVISORY

Qatar Tax and Regulatory Updates

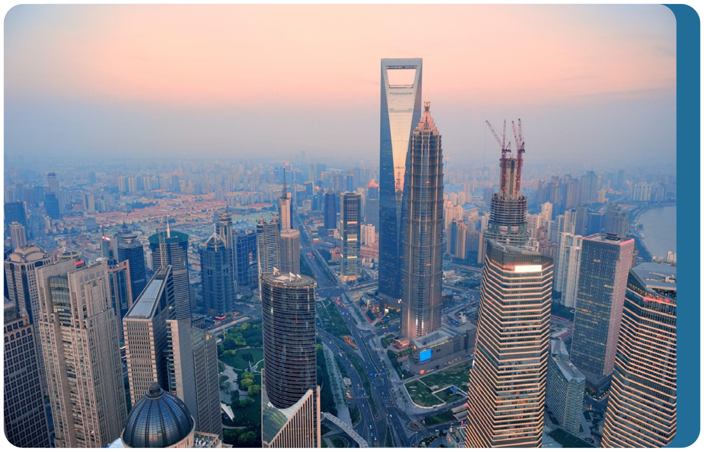
Qatar - Submission of Country-by-Country (CbC) Reports for Fiscal year (FY) 2023/ CbC Reports Notifications for FY 2024

- The General Tax Authority (GTA) has announced that the TABADOL Portal is now open for the submission of CbC Reports for fiscal year (FY) 2023 and the filing of CbC Notifications for FY 2024.
- As such, each ultimate parent entity (UPE) of a multinational enterprises (MNE) group that is tax-resident in Qatar and is not otherwise excluded (see note* below) is required to comply with the following requirements for the FY beginning on 1 January 2023:
  - Register or update registration on the TABADOL Portal;
  - Submit the CbC report for FY 2023; and
  - Submit the CbC report notification that you are the UPE of the MNE group for FY 2024

*According to the Minister of Finance Decision no. 16 of 2019, MNE groups with annual revenues below QAR 3 billion are exempt from the CbC Reporting and notification requirements.

FAME ADVISORY

Oman Tax and Regulatory Updates



Oman issued Royal Decrees on 31st December 2024

Royal Decree No. 70 of 2024 promulgates the Supplementary Tax Law on entities affiliated to multinational groups.

- Article (1) states that the "Supplementary Tax Law on entities affiliated tomultinational groups", attached to this decree, shall be enforced.
- Article (2) stipulates that the Chairman of the Tax Authority shall issue the Executive Regulation of the law attached to this decree, as well as the regulations and decisions necessary for the implementation of its provisions.
- Article (3) cancels all that contradicts the law attached to this decree or contravenes its provisions.
- Article (4) says that this decree shall be published in the Official Gazette and enforced from 1st January 2025.

Royal Decree No. 71 of 2024 ratifies the Framework Agreement for the Establishment of Private Sector Operations between the Sultanate of Oman and the OPEC Fund for International Development (OFID), signed in Washington DC on 23rd October 2024.

- Article (1) states that the abovementioned agreement shall be ratified in accordance with the version attached to this decree.
- Article (2) says this decree shall be published in the Official Gazette and enforced from its date of issue.

International Tax Updates

Suspension of MFN Clause in India-Switzerland Tax Treaty

Switzerland has announced the suspension of the Most-Favoured-Nation (MFN) clause under the Double Taxation Avoidance Agreement (DTAA) with India, effective January 1, 2025.

The suspension of the MFN clause marks a significant shift in India-Switzerland tax treaty relations.

This move could lead to higher tax burdens for Indian companies operating in Switzerland and Swiss investors in India, potentially impacting bilateral investments.

FAME
ADVISORY

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

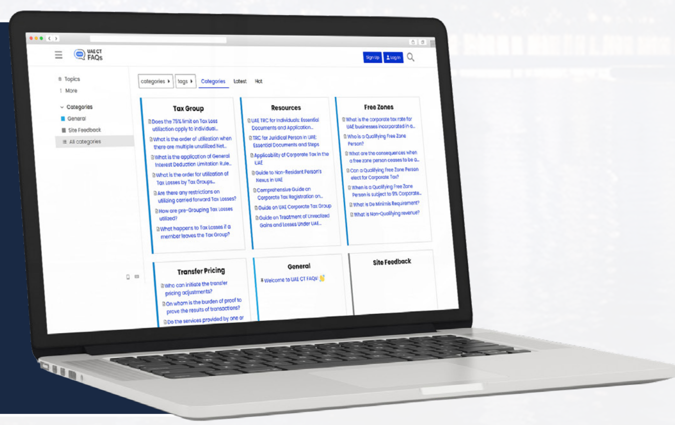
UAE CT FAQs

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.



www.uaectfaqs.com

FAME
ADVISORY

CA Nirav Shah
Director - FAME Advisory DMCC

Suite 405, Office Court Building,
Oud Metha Road Bur Dubai,
P.O. Box 103904, Dubai, UAE

+971 52 6559480
hemang@fame.ae
www.fame.ae