FAME ADVISORY

GCC Tax & Regulatory Communique

January 2025

www.fame.ae

UAE Tax and Regulatory Updates

Expanding the Application of the Reverse Charge Mechanism

The UAE Ministry of Finance has issued Cabinet Decision No. 127 of 2024 **expanding the application of the reverse charge mechanism to include precious metals and stones traded between taxable persons in the UAE.**

- The reverse charge mechanism now encompasses **transactions involving gold, silver, palladium, platinum, natural and synthetic diamonds, pearls, rubies, sapphires, and emeralds**
- This includes jewelry made from these materials, provided the value of the precious components exceeds that of other materials used
- **VAT-registered suppliers are not required to charge and collect VAT on supplies of these goods to VAT-registered customers.** Instead, the VAT-registered customers must calculate and declare the VAT on their purchases in their VAT returns
- Proper documentation is essential to ensure compliance, including maintaining records of transactions and VAT calculations as per the new decision

The provisions of this decision will come into effect on 25th February 2025.

Public Clarification on Cryptocurrency Mining

On 14th January 2025, the Federal Tax Authority (FTA) published a VAT Public Clarification (VATP039) on **Cryptocurrency mining.** This publication follows the recent extension of the VAT exemption to certain activities involving Virtual Assets made under Cabinet Decision No. 100 of 2024 on the Executive Regulation of Federal Decree-Law No. (8) of 2017 on Value Added Tax (VAT), and its amendments. The Public Clarification outline the following:

- Cryptocurrency mining is described by the FTA as the process where specialized computers, also known as mining rigs, validate blockchain transactions for a specific crypto currency, for which a reward may be received for the contribution of computational power
- It states that the **scope of the VAT exemption for Virtual Assets does not include cryptocurrency mining Cryptocurrency mining on behalf of another person is a taxable (5% or 0%) supply of services on the basis that the miner earns a fee from the person in return for their mining activities**
- Input tax is recoverable on the related costs where the person is making a taxable supply of mining activities (i.e. the miner is mining cryptocurrency on behalf of another person)
- If a taxable person receives cryptocurrency mining services from a non-resident person, the taxable person is required to self-account for VAT under the reverse charge mechanism
- If a non-resident person supplies cryptocurrency mining services to a UAE resident business and a non-taxable person, the non-resident person must register and account for UAE VAT on the supply made

FAME ADVISORY

KSA Tax and Regulatory Updates

Proposed Amendment to the Zakat Regulations

Saudi Arabia's Zakat, Tax and Customs Authority (ZATCA) has proposed to add a new paragraph 3 to Article 73 of the current Executive Regulations for Zakat Collection addressing the zakat treatment of off-plan real estate sale projects and taking into account the nature of these projects. The proposed amendments allow for the deduction of off-plan real estate sale projects from zakat base under the following conditions:

- **Deduction equation:** Off-plan real estate sale projects licensed by competent authorities are eligible for a deduction from the zakat base
- **Deduction formula:** Amount deducted = Project balance at year-end - Additions to the project during the year (provided the result is greater than zero)
- **Project-specific application:** The equation must be applied separately to each off-plan real estate sale project
- **Audited financial statements classification:** If a project's balance is split between current assets and noncurrent assets in the audited financial statements, the deduction starts with the noncurrent assets and any remaining deductions are applied to current assets
- **Sources of funds:** Sources of funds for off-plan sales projects should be added to zakat base in accordance to Chapter 3 of the Executive Regulations
- **Compliance with Article 25:** After applying the above treatment, the provisions of Article 25 (addition of liabilities to the zakat base) of the Executive Regulations should be considered and applied accordingly

International Tax Updates

Australia Takes Final Step in Implementing Pillar Two Rules

Australia has implemented the Pillar Two global and domestic minimum tax rules into domestic law. The Australian Pillar Two rules apply to MNE Groups with consolidated annual revenue of €750m or more in at least two of the four fiscal years immediately preceding the test year, in line with the OECD Model Rules. The final legislations outlines the following:

- A DMT with retrospective application to fiscal years starting on or after 1 January 2024
- A global minimum tax by imposing top-up tax through an Income Inclusion Rule (IIR) with retrospective application to fiscal years starting on or after 1 January 2024
- An Undertaxed Profits Rule (UTPR), applying to fiscal years starting on or after 1 January 2025
- Consequential amendments that facilitate the administration of the top-up tax, including the preparation of new returns and notifications for filing in Australia for in-scope MNE Groups

Turkey Increases Withholding Tax Rate on Dividend Distributions from 10% to 15%

The Withholding Tax (WHT) rate on dividends distributed by Turkish-resident taxpayer corporations, within the scope of Article 94 of the Income Tax Code and Articles 15 and 30 of the Corporation Tax Code, has been increased from 10% to 15% upon the publication of Presidential Decree No. 9286 (the Decree) in the Official Gazette. The WHT applies whether the dividends are distributed to Turkish residents or nonresidents. The increase in the withholding tax rate on dividends means that non-residents receiving dividend income from Turkish entities may face higher tax costs if there is no relevant Double Tax Treaty between Turkey and the dividend recipient's country that provides a dividend withholding tax rate lower than 15%.

Kenya-UAE Comprehensive Economic Partnership Agreement

On January 14, 2025, President William Ruto of Kenya and His Highness Sheikh Mohamed bin Zayed Al Nahyan, President of the UAE, presided over the signing of the Kenya-UAE Comprehensive Economic Partnership Agreement (the CEPA). This landmark agreement aims to strengthen trade ties, attract investment, and foster economic cooperation between the two nations. According to the Ministry of Trade and Industry, the UAE is Kenya's 7th largest export market and 3rd overall trading partner. Although the agreement is not publicly available, the Government of Kenya, through the State Department of Trade and Industry, has issued concise communiques on its scope and potential impact. The CEPA encompasses fourteen key areas, including:

- Trade in goods
- Market access
- Rules of origin
- Food and agriculture (Sanitary and Phytosanitary Standards - SPS)
- Technical barriers to trade
- Customs procedures and trade facilitation
- Digital trade
- Investment
- Economic and development cooperation
- Small and medium enterprises (SMEs)
- Trade remedies
- Legal and institutional issues; and
- Intellectual property rights.

India Released Union Budget for 2025-2026

On February 1, 2025, India's Union Finance Minister Nirmala Sitharaman presented her 8th budget for the year 2025-2026. The key highlights of the budget are :

- Salaried Class To Pay **Nil Income Tax Up to INR 12.75 Lakh per annum** in new tax regime
- Updated **Income Tax Returns time limit increased from two to four years**
- **Threshold** for **TDS on rent Increased from ₹ 2.4 Lakh To ₹ 6 Lakh**
- **Threshold** for **TDS on professional fees , royalty and technical fees increased from INR 30,000 to INR 50,000**
- **Threshold** for **TDS on commission and insurance commission increased from INR 15,000 to INR 20,000**
- Contribution to **NPS Vatsalya scheme would now be eligible for the same deduction as contribution to the NPS under the overall ceiling of INR 50,000 as per section 80 CCD(1B),** for parent/guardian making contribution for a minor
- Threshold for applicability of **TCS on remittance under Liberalized Remittance Scheme for education increased from INR 7 lakhs to INR 10 lakhs**
- TCS on sale of Goods removed

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

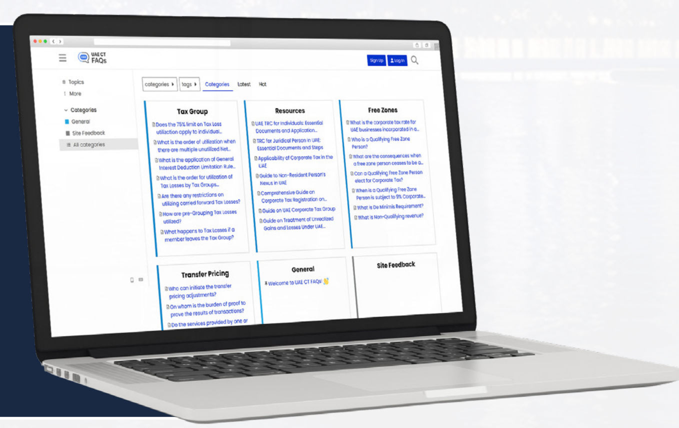
UAE CT FAQs

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

CA Nirav Shah

Director - FAME Advisory DMCC

FAME ADVISORY

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