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TAX NEWSLETTER

IN THIS EDITION

United Arab Emirates (UAE)

Corporate tax ("CT")

Taxability of Qualifying Free Zone Person (QFZP)

QFZP is the juridical person incorporated, established, or registered in the Free Zone ("FZ") and would be subject to tax as stated below:

- 0% on Qualifying Income.
- 9% on taxable income that is not Qualifying Income.

Recently UAE's MOF has issued two decisions relevant to the taxation of the QFZP, namely, Cabinet Decision No. 55 of 2023 on Determining Qualifying Income which deals with:

- Defining Qualifying Income and De Minimums Requirements,
- Taxation of incomes attributable to Domestic and Foreign Permanent Establishment ("PE") and certain categories of Immovable Properties, and
- Maintaining adequate substance in a Free Zone and Outsourcing Activity.
- And the Ministerial Decision No 139 of 2023 on Qualifying Activities and Excluded Activities which deals with:
- Defining Qualifying Activities and Excluded Activities for the purposes of Qualifying Income.
- Providing threshold for De Minimums Requirements, and Stating additional conditions to be met by QFZP.

[Click here to read our detailed blog](#)

United Arab Emirates (UAE)

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OMAN

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- Excise Registration and Return filing manual.





HIGHLIGHTS FROM THE AWARENESS SESSIONS ON KEY CORPORATE-TAX DECISIONS AND FREE ZONE TAXATION CONDUCTED BY UAE'S MINISTRY OF FINANCE (MOF)

The MOF conducted its second series of awareness sessions in Emirate of Sharjah and Dubai on 21 June 2023 and 22 June 2023 respectively, giving the insights from recently issued key Decisions, and on Free Zone taxation.

Mentioned are the key topics that were discussed in the seminars:

- Transfer Pricing Documentation.
- Free Zones for Corporate-tax purposes.
- Import and export of goods on a high sea sales basis (i.e., goods not entering UAE borders).
- Mixed income from immovable property which is partly commercial and partly non-commercial.
- Rate of tax in case Qualifying Free Zone Person attracts disqualification due to any reason.
- Treatment of branch of the mainland or foreign company registered in the Free Zone.
- Treatment of Sole establishments registered in the Free Zone.

Our team had the opportunity to be present in the seminar and have provided a detailed explanation on the above topics in our official BLOG.

[Click here to read our detailed blog](#)

DETERMINATION OF A NON-RESIDENT PERSONS NEXUS

The UAE's Ministry of Finance ("MOF") has issued Cabinet Decision No. 56 of 2023 determining the conditions under which a non-resident person shall have a nexus in UAE under the CT law.

The Decision essentially states that any Juridical Person that is a non-resident person shall have a nexus (connection or link between things or events) in the State if it earns income from any Immovable Property in the State. Further, it clarified that the Taxable Income that is attributable to any immovable property in the state shall include income derived from right in rem, sale, disposal, direct use, letting, subletting and any other form of exploitation of Immovable Property. It also included provision for artificial transfer of rights in Immovable Property.

A Non-Resident person that has a Nexus in UAE will be required to register with The Federal Tax Authority and obtain a Tax registration Number.

[Click here to read the Cabinet Decision](#)

TAX AGENT'S ROLE IN IMPLEMENTING CT IN THE UAE

The UAE's Federal Tax Authority convened a virtual meeting for registered Tax Agents across the UAE highlighting their role and regulations they are required to follow as CT goes into effect in the UAE.

The Forum discussed general principles of CT as well as latest developments in the tax procedures law in the UAE and ways to support FTA's efforts to improve tax system services that in line with international best practice and standards.

During the Forum, it was stated that "The Tax Agents Forum enables the Authority to listen to Tax Agents' views and opinions, which supports the process of improving services and developing initiatives and projects."

[Click here to read the official News Article](#)





VALUE ADDED TAX (“VAT”)

AMENDMENTS TO INPUT TAX APPORTIONMENT GUIDE

In March 2023, the Federal Tax Authority published the guide on “Input Tax Apportionment” (“the Guide”) replacing the erstwhile “Input Tax Apportionment: Special Methods” VAT Guide.

In accordance with the UAE VAT law, taxable person is not entitled to recover Input Tax incurred on goods and services used (intended to be used) solely for non-business purposes or for making an exempt supply. However, situation might arise wherein the said goods or services are used partially for making supplies that allow use of recovery of Input Tax. In such circumstances, the taxable person shall determine the actual portion of the Input Tax that is attributable to supplies that allow recovery of input tax.

The below amendments have been made to the Guide:

- Updated procedures for filing applications and notifications through the Emaratax portal on the FTA’s website.

[Click here to read the official guide](#)



ADMINISTRATIVE EXCEPTIONS GUIDE FOR VAT AND EXCISE TAX

The Federal Tax Authority (FTA) has recently issued Administrative Exceptions guide for VAT (VATGEX1) and Excise Tax (EGAE01).

Administrative Exceptions is a mechanism which provides registrants concessions / exceptions allowed by FTA if any difficult circumstances prevented them from following certain procedures of the Decree-Law or Executive Regulation.

To be eligible to make a VAT / Excise Administrative Exception request on the Emarat tax portal, the applicant must:

- Be registered with FTA.
- Satisfy the requirements in respect to the relevant exception request applicant is applying for; and Provide all supporting documents.

Administrative Exception requests can only be made in respect of certain specified categories for VAT and Excise Tax as stated below.

- Tax Invoices.
- Tax Credit Notes.
- Length of the Tax period.
- Stagger.
- Supporting evidence to prove export of goods / excise goods. (the only exception relating to Excise Tax)
- Time for the export of goods.

*The underlying conditions for the above exceptions along with reference for the laws are explained in detail in the guide.

[Click here to read VAT Administrative Exceptions Guide](#)

[Click here to read Excise Tax Administrative Exceptions Guide.](#)

KINGDOM OF SAUDI ARABIA (KSA)

UPDATES ON ELECTRONIC INVOICING (E-INVOICING) – WAVE 4 & WAVE 5 OF IMPLEMENTATION (INTEGRATION PHASE) & ADDITIONAL REQUIREMENT FOR PHASE 2 (INTEGRATION PHASE)

Zakat, Tax, and Customs Authority (ZATCA) have announced the criteria for selecting Taxpayers in Wave 6 for Implementing (Integration Phase) of E-invoicing.

The sixth wave included all taxpayers whose taxable revenues exceeded 70 million Saudi Riyals during 2021 or 2022 would fall under the criteria the criteria for Wave 4 and should integrate their e-invoicing solutions with (FATOORA) Platform starting from January 1, 2024.

[Click here to read the official announcement](#)

PUBLISHING OF TAX RULINGS REQUESTS GUIDELINES

Zakat, Tax, and Customs Authority (ZATCA) have published the new Guideline on Tax Rulings Requests for purpose of clarifying certain tax treatments concerning the implementation of the statutory provisions in force as of the Guide's issue date.

[Click here to read the official announcement](#)



OMAN

OMAN AND RUSSIA SIGN DOUBLE TAX AVOIDANCE AGREEMENT (DTAA)

On 8th June 2023 Oman and Russia signed the DTAA which is anticipated to help in encouraging Trade in goods, capital investment and other economic activities between the two countries by mainly preventing International Double Taxation. The signed DTAA is yet to be published in the official Gazette and once issued would provide greater clarity on the terms and provision of the DTAA.

[Click here to read the official announcement](#)

VAT TAXPAYER GUIDE (INPUT TAX)

The Oman Tax Authority has published the VAT Guide for Input Tax which provides clarifications / guidance on certain key concepts relating to Input Tax. The VAT guide provides guidance on the below concepts:

- Steps to deduct Input Tax.
- Ineligible Input Tax claim.
- Taxable person's economic activity.
- Conditions for Input Tax deduction.
- Intention of the taxable person.
- Time of deduction
- Evidence required to deduct input tax.
- Recipient of a supply.
- Input Tax incurred by employees.
- Input Tax incurred by a non-registered person.
- Mixed use for economic and non-economic activities.
- Blocked Input Tax.
- Mixed use for taxable and exempt supplies.
- Alternative apportionment methods.
- Adjustment of Input Tax.
- Loss, theft, or damage.
- Input Tax related to capital assets.

[Click here to read the detailed guide](#)

BAHRAIN

DIGITAL STAMPS SCHEME FOR TOBACCO "MOLASSES" PRODUCTS

The National Bureau for Revenue (NBR) has confirmed that final phase of the tobacco "molasses" within Digital Stamps Scheme will be implemented as of 18th June and any possession, trade, supply, or sale in the local markets must have valid and activated digital stamps as part of their product packaging.

As on 18th June 2023, any tobacco "molasses" product that does not have a valid and activated digital stamp must be returned through the relevant supply chain to either be destroyed or moved for sale outside the territories of the Kingdom of Bahrain. The Digital Stamps Scheme aims to track excise goods from the manufacturing stage to the consumption point through digital stamps, which will protect against the circulation of counterfeit or illegal products.

[Click here to read the official announcement](#)

EXCISE REGISTRATION AND RETURN FILING MANUAL.



The National Bureau for Revenue (NBR) has issued the Excise Registration and Excise Return filing manual on their official Gazette.

The Excise return filing manual provides an overview of the Excise Rules and procedures in Bahrain and the necessary guidance to help navigate the NBR online portal and forms for Excise return filing, payment submission and obtaining refunds.

The Excise registration manual helps provide the Excise payers with the necessary guidance for navigating the online Excise portal and an overview of different types of applications that Excise payers can submit and required steps to be followed.

[Click here to read the Excise Return Filing Manual](#)

[Click here to read the Excise Registration Manual](#)

"Reach out and let's connect!"



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