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TAX NEWSLETTER





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United Arab Emirates (UAE)

CORPORATE TAX (“CT”)

UNDERSTANDING RELATED PARTIES IN UAE CORPORATE TAX LAW

Recently, the Federal Tax Authority (FTA) issued a public clarification CTP002 on this topic, shedding light on how related parties are defined, particularly when there is common ownership or control by government entities.

For businesses operating in the UAE, particularly those with government ties, this clarification is critical. It determines when they need to meet the stringent requirements of transfer pricing documentation and arm's length pricing. Misunderstanding these rules could lead to non-compliance, resulting in penalties or other legal challenges.

According to Article 35 of the Corporate Tax Law, related parties are typically defined by common ownership or control. This can be direct or indirect, and it extends to transactions and arrangements that must meet the arm's length criteria.

However, the FTA's recent clarification emphasizes that simply being owned or controlled by a Federal or Local Government does not automatically categorize entities as related parties. This distinction is crucial for businesses associated with government entities, as it affects how they report and manage their taxable income.

The FTA provides a practical example to clarify this point. Consider two groups of entities, Group 1 and Group 2, both of which are 100% owned by a local government. Despite this common ownership, transactions between entities in Group 1 and Group 2 are not considered related party transactions under the law. On the other hand, transactions within the same group (e.g., between entities within Group 1) are considered related party transactions and must comply with the arm's length standard.

[Click here to read the official Public Clarification](#)





FIRST TAX PERIOD OF A JURIDICAL PERSON

The Federal Tax Authority (“FTA”) published CT public clarification **CTP003** on the First Tax Period of a Juridical Person.

Defining the First Tax Period

For businesses, the first tax period is essentially the timeframe in which they’ll begin reporting under the new law. This period is aligned with a company’s financial year, which is typically outlined in its articles of association.

New Companies: For newly established companies, the first financial year can be flexible, ranging from 6 to 18 months. This period will also serve as their first tax period under the Corporate Tax Law.

Existing Companies: If a company’s financial year starts on or after June 1, 2023, that will be its first tax period. However, if the financial year began before June 1, 2023, the first tax period will start with the next full financial year that begins after this date.

Special Cases for Non-Resident Companies

Non-resident juridical persons with a permanent establishment in the UAE will follow their financial year to determine their first tax period, starting from when their operations in the UAE commenced.

What Happens If a Company Ceases Operations?

If a company stops operating before or during its first tax period, it is still required to register and apply for tax deregistration. The cessation of business activities does not exempt it from this responsibility.

[Click here to read the official public clarification](#)

DETERMINATION OF TAXABLE INCOME CORPORATE TAX GUIDE

In July 2024, The Federal Tax Authority (“FTA”) published CT guide CTGDTII on Determining the taxable income for the purpose of UAE Corporate Tax. The guide is issued with the purpose of providing guidance to Taxable Persons for determining their Taxable Income and calculating their Corporate Tax Payable under the Corporate Tax Law. It provides readers with an overview of:

- the adjustments required to be made to the Accounting Income for determining the Taxable Income under the Corporate Tax Law, and
- the adjustments required to be made to the Taxable Income for calculating the Corporate Tax Payable under the Corporate Tax Law.

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





GENERAL NEWS

REFUND OF FEES OF PRIVATE CLARIFICATION REQUESTS

The UAE Federal Tax Authority (FTA) has recently issued Decision No. 5 of 2024, introducing new guidelines for refunding fees related to private clarification requests. This decision, effective from August 1, 2024, outlines the circumstances under which businesses and individuals can claim refunds if their private tax clarification requests are not issued by the Authority.

Private clarifications are official responses from the FTA to specific tax-related inquiries made by businesses or individuals. These clarifications are vital for understanding complex tax issues, ensuring compliance, and avoiding penalties.

Eligibility for Refunds

The FTA will refund the full fee paid for private clarification requests if it decides not to issue a clarification, provided certain conditions are met.

If a request involves more than one tax and the FTA only issues a clarification for one of them, the applicant will receive a partial refund based on the difference in fees.

Conditions for Refunds

Withdrawal of Request: If the applicant withdraws the request within two business days of submission.

Non-Registered Applicants: If the request is made by a person not registered for Corporate Tax and the inquiry isn't about tax registration.

Ongoing Tax Audit: If the applicant is undergoing a tax audit at the time of the request.

Duplicate Requests: If the request is a duplicate of another ongoing request by the same applicant.

Pending Legislation Changes: If the request concerns an area where the FTA is coordinating with the Ministry of Finance to amend tax legislation.

[Click here to read the official public clarification](#)





FEDERAL TAX AUTHORITY LAUNCHES 'MASKAN' SMART APPLICATION

The Federal Tax Authority (FTA) of the UAE has launched a new smart application called "Maskan," which is part of its digital transformation efforts to enhance tax services. The app allows UAE citizens to recover Value Added Tax (VAT) incurred on the construction of new homes through 100% paperless and digital procedures. The launch aligns with the UAE government's strategy to improve efficiency and reduce bureaucracy.

The "Maskan" app, developed with input from citizens and suppliers, aims to simplify and expedite the VAT refund process. It is being rolled out in two phases, with the first phase already active, enabling users to upload invoices and submit refund requests. The second phase, expected by July 2024, will introduce more features, such as scanning barcodes for easy invoice submission.

The initiative is part of the FTA's broader strategy to implement smart, sustainable, and innovative government services, in line with the UAE's "We the UAE 2031" vision. The FTA also participates in the "Zero-Government Bureaucracy" programme, which seeks to eliminate unnecessary government procedures and reduce service times. The app is expected to significantly enhance citizen satisfaction with the VAT refund process.

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





Kingdom of Saudi Arabi(KSA)

E-INVOICING UPDATES – WAVE 14 OF THE “INTEGRATION PHASE”

The Zakat, Tax, and Customs Authority (ZATCA) have announced the criteria for selecting Taxpayers in Wave 14 for Implementing (Integration Phase) of E-invoicing.

The 14th wave shall include all taxpayers whose taxable revenues exceeded 5 million Saudi Riyals during 2022 or 2023 and should integrate their e-invoicing solutions with (FATOORA) Platform starting from 1st February 2025.

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



AMENDED RULES OF RETURNED GOODS CUSTOMS DUTIES EXEMPTIONS

The Zakat, Tax and Customs Authority (ZATCA) has updated the Rules for Exemptions on Returned Goods Customs Duties. The amendments aim to streamline the exemption process, particularly for goods temporarily exported for manufacturing or repair.

Key changes include approving exemptions before goods leave the customs zone and removing value restrictions on returned goods, allowing exemption requests regardless of value. ZATCA encourages customers to review the updated rules on its website, which detail provisions for national origin goods, re-exported foreign goods, and temporarily exported items. These updates are intended to simplify procedures, enhance customs services, and support Saudi Arabia's goal of becoming a global logistics hub.

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

OMAN

TAX CULTURE INITIATIVE

The "Tax Culture" initiative has been launched in Dhofar Governorate by the Tax Authority, in collaboration with various government and private organizations. This effort aims to boost tax awareness and improve the investment environment in Oman.

The initiative includes providing consulting services, educational workshops, and field visits to enhance understanding of the tax system, registration, and compliance. Awareness campaigns on social media are also part of the effort. After Dhofar, the initiative will expand to other governorates in Oman, supporting economic sustainability and confidence in the tax system.

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



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"Reach out and let's connect!"

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