Premier Brains Global

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TAX NEWSLETTER

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United Arab Emirates (UAE)

CORPORATE TAX ("CT")

UNDERSTANDING CORPORATE TAX RETURNS

The UAE Federal Tax Authority (FTA) has released a Tax Guide on Corporate Tax Returns, offering important insights on the contents of the tax return. The earliest Corporate Tax Return is due on 31st December 2024 for Taxpayers having their first financial year starting on or after 1st June 2023 and ending on or before 31st March 2024.

The Guide covers Tax Return procedures along with transfer pricing thresholds for related party disclosures. Some important highlights are:

1. The Tax Return has 20 schedules and the taxpayer will only be directed to those which are applicable in its case (e.g., based on the information filled in the tax registration process). Therefore, the accuracy of information input on the EmaraTax portal becomes critical to ensuring that all required fields are appearing and therefore can be completed while filing the Return.

2. If the Taxpayer makes an election which applies to more than one Tax Period (e.g., opting out of 0% rate for free zone persons, realization basis of taxation, application of transitional rules), it will automatically reflect in the Taxpayer's subsequent years' Tax Return.

3. The thresholds for reporting under transfer pricing schedule have been specified:

3.1. Reporting is required only where related party transactions exceed AED 40 million in market value or as per the value in the financial statements.

3.2. Once the above threshold is exceeded, only aggregate related party transactions per category (sale of goods, provision of services, IP, interest etc.) exceeding AED 4 million need to be disclosed.

3.3. The schedule for transactions with connected persons should be completed only if the aggregate value exceeds AED 500,000 and for those connected persons where the aggregate benefits exceed AED 500,000.

3.4. Any dividends paid to related parties should be excluded while computing the above thresholds.

3.5. Transfer Pricing adjustments that reduce taxable income will require a preapproval from the FTA.

4. Any error in the previous Tax Return which has an impact of reducing the tax by AED 10,000 or less, can be corrected in the current period Tax Return by way of an adjustment.

5. Free zone persons are required to report the average number of full-time employees (i.e., average of FTE at beginning and end of year).

6. It is mandatory to attach financial statements along with the Tax Return.

Click here to read the official public clarification

GENERAL NEWS

FEDERAL TAX AUTHORITY (FTA) CONTINUES TO CONDUCT WORKSHOPS

On 27 November 2024, the FTA conducted a virtual workshop in Arabic on Corporate Tax (CT) registration, registration deadlines and forming CT groups, and a virtual workshop in English on tax invoices and price display.

FEDERAL TAX AUTHORITY (FTA) SHEDS LIGHT ON CORPORATE TAX FOR FREE ZONE PERSONS DURING NEW AWARENESS WORKSHOP

FTA held a Corporate Tax awareness workshop as part of its campaign to educate Free Zone Persons about tax compliance under the UAE Corporate Tax (CT) regime. The workshop covered the 0% CT rate for "Qualifying Income," the registration process, and compliance requirements. It emphasized that all Free Zone Persons must register, regardless of their eligibility for the preferential tax rate, with non-qualifying income taxed at the standard 9% rate. To support businesses, the FTA offers a detailed Corporate Tax Guide on its website, registration via the "EmaraTax" platform, and expanded submission channels. It also reminded entities with licenses issued in October or November to register by November 30, 2024

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FEDERAL TAX AUTHORITY (FTA) OFFERS GRACE PERIOD FOR TAXPAYERS FALLING BEHIND ON UPDATING THEIR TAX REGISTRATION INFORMATION FOR THE PERIOD ENDING IN MARCH 2025

FTA announced a grace period for tax registrants who have fallen behind on updating their tax records for the period from 1 January 2024 until 31 March 2025, without facing administrative penalties. This initiative also includes provisions for refunding penalties already paid during this period, in line with Cabinet Decision No. (105) of 2021, provided registrants meet the requirements.

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Kingdom of Saudi Arabi(KSA)

SAUDI ARABIA APPROVES DOUBLE TAX TREATY WITH QATAR

On 5 November 2024, the Council of Ministers of Saudi Arabia have approved the Double Tax Treaty (DTT) with Qatar, which was signed on 30 May of the same year.

A Double Tax Treay (DTT) also known as Double Taxation Avoidance Agreement (DTAA) is a deal between two countries to prevent individuals or businesses from being taxed twice on the same income. For example, if you earn income in one country and live in another, the DTAA ensures you only pay taxes in one country, or at least avoid paying double. This simplifies tax compliance, saves money, and promotes cross-border investment and trade. In short, it helps avoid the burden of double taxes and makes international business more efficient.

KSA AND DJIBOUTI SIGN INVESTMENT PROTECTION AGREEMENT (IPA)

According to a press release dated 26 November 2024, KSA and Djibouti have signed an IPA on the sidelines of the 28th World Investment Conference recently held in Riyadh.

SAUDI ARABIA AND SLOVENIA EXPRESSED INTEREST IN CONCLUDING A DOUBLE TAX TREATY

According to a Slovenian publication, Saudi Arabia and Slovenia has expressed an interest in concluding a DTT between the two jurisdictions. Further developments will be reported as they occur.

SAUDI ARABIA SIGNS AGREEMENTS WITH KUWAIT AND CROATIA TO AVOID DOUBLE TAXATION

During the Zakat, Tax, and Customs Conference in Riyadh, the Key agreements included a deal with Kuwait to avoid double taxation and promote trade and investment, and a similar agreement with to address tax challenges and foster economic ties.
Additionally, Saudi Arabia signed an agreement with Kosovo to enhance customs cooperation, focusing on administrative collaboration, expertise sharing, and the adoption of modern technologies. The conference featured over 70 workshops, dialogue sessions, and an exhibition, involving nearly 90 organizations, highlighting its significance in shaping regional and global tax and customs policy.

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OMAN

PHASE TWO OF 'TAX CULTURE' INITIATIVE LAUNCHED IN OMAN

The initiative seeks to simplify tax concepts, enhance taxpayer awareness of their rights and responsibilities. It includes activities like interactive workshops, media campaigns, and inspection drives in collaboration with authorities. Targeted groups include entrepreneurs, SMEs, and employees, with a focus on using clear language and engaging experts and social influencers to ensure effective communication to promote tax awareness.

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INDIVIDUALS WITH SALARIES UNDER OMR 2,500 TO BE EXEMPTED FROM INCOME TAX

Oman is drafting a personal income tax law targeting individuals earning more than OMR 30,000 annually (around RO 2,500 per month). Ahmed Al Sharqi, Chairman of the Economic and Financial Committee at Al Shura Council, stated that 29 articles of the draft law have been amended to ensure fair wealth distribution and economic balance. The tax, which will primarily fund development projects and social protection systems, aims to diversify income sources and reduce reliance on oil and gas, which currently account for 70% of the budget.

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KUWAIT

PROTOCOL TO TAX TREATY BETWEEN KUWAIT AND SOUTH AFRICA ENTERS INTO FORCE

On 2 October 2024, the amending protocol to the Kuwait – South Africa income tax treaty entered into force. Double Tax Agreement (DTA), which had been signed in April 2021. This ratification holds significant implications for the application of South Africa's Dividend Withholding Tax (DWT). Under this agreement, the DWT rate is effectively reduced to 0% on dividends, which is a key benefit for certain shareholders, including those from countries with applicable DTA exemptions

KUWAIT HAS APPROVED A TAX TREATY WITH IRAQ TO AVOID DOUBLE TAXATION

Kuwait has approved a tax treaty with Iraq to avoid double taxation and prevent tax evasion on income and capital taxes, as per Decree No. 100 of 2024. The agreement fosters economic collaboration by reducing financial barriers for individuals and businesses operating in both countries and enhancing transparency through the exchange of confidential information between authorities. The treaty includes specific provisions, such as taxing dividends and other profits in the company's home country and taxing entertainers and athletes in the country where income is earned.
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QATAR

QATAR TO INTRODUCE EXCISE TAX ON SWEETENED BEVERAGES

The General Tax Authority (GTA), in partnership with Qatar's Ministry of Commerce and Industry, recently organized a workshop on the upcoming intended expansion of the scope of Excise Tax to include sweetened beverages produced in and imported into Qatar.

BAHRAIN

BAHRAIN AND UAE SIGN MEMORANDUM OF UNDERSTANDING (MOU) ON FINANCIAL AFFAIRS

On 25 November 2024, the Ministry of Finance of the UAE and the Ministry of Finance and National Economy of Bahrain signed an MoU on financial affairs. The agreement seeks to enhance financial and economic collaboration, fostering sustainable financial development and bolstering joint efforts to accelerate growth in both countries.

NATIONAL BUREAU FOR REVENUE (NBR) ANNOUNCES SCHEDULED DOWNTIME OF ITS PORTAL

On 25 November 2024, the NBR sent out an email to taxpayers informing them that the NBR's online portal including all payment channels and e-services will be temporarily unavailable on 29 and 30 November 2024 due to scheduled maintenance. Taxpayers who are yet to submit their VAT returns and settle the net VAT dues for the October 2024 VAT period are encouraged to do so by 1 December 2024 to avoid the imposition of administrative fines.

BAHRAINI COURT RULES AGAINST INDIVIDUALS AND COMPANIES IN TAX EVASION MATTERS

As per local news reports, 5 individuals and 2 companies in Bahrain have been ordered by the First High Criminal Court to pay over BHD 1 million in two separate cases of suspected VAT evasion. The Court has also sentenced the defendants to 2 to 3 years of imprisonment.

The First High Criminal Court has also issued another verdict convicting 3 employees on charges of evading Excise Tax and Customs Duties on goods imported into Bahrain. The employees have been sentenced to 3 years of imprisonment with fines of over BHD 25,000.

FAQS ON THE BAHRAIN DOMESTIC MINIMUM TOP-UP TAX (DMTT)

On 1 September 2024, Decree-Law No. (11) of 2024 (DMTT Law) regarding the implementation of tax on Multinational Enterprises (MNEs) located in Bahrain was released. Bahrain is the first GCC country to implement a DMTT (effective 1 January 2025) aligned with the Organization for Economic Cooperation and Development (OECD) Base Erosion Profit Shifting (BEPS) Pillar Two Inclusive Framework.

The rules prescribed under the Bahrain DMTT Law are complex and will have a direct impact on MNE Groups operating in Bahrain. With less than a month to implement, it is advisable for MNE Groups to assess the impact on their Bahrain operations for a smooth transition.

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"Reach out and let's connect!"

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