



# Tax Newsletter

November 2023



## Landscape

In our November 2023 edition of GT's regional monthly Tax Newsletter, we provide the latest news updates affecting International Tax, Corporate Tax, Transfer Pricing, and Indirect Taxes in the UAE and across the GCC region.

# Contents

Section	Page
<b>The UAE Update</b>	3
Value Added Tax	3
<b>The GCC Update</b>	4
Value Added Tax	4
Customs	5
Excise	7
<b>International Tax and Tax Treaty</b>	8
GCC Tax Developments	8
GCC Tax Treaty Developments	16
<b>Our Experts</b>	20

## UAE Value Added Tax

### **The Ministry of Finance (MoF) has issued Ministerial Decision No. 262 of 2023 on the criteria to be followed in the determination of parts and pieces of electronic devices**

In continuation to Decision No. 91 of 2023, the Minister of State for Financial Affairs has specified the criteria that should be followed in determining the pieces and parts related to electronic devices via the release of Ministerial Decision No. 262 of 2023. This decision will be effective from 30 October 2023.

This decision will be governed by the definitions provided in Federal-Decree Law No. 8 of 2017 and Cabinet Decision No. 91 of 2023 which is outlined in our [Tax Newsletter - October 2023](#). Furthermore, unless the context indicates otherwise, the 'Pieces and Parts' refers to the parts and constituents of electronic devices.



#### **Conditions that satisfy the criteria determined for electronic parts and pieces:**

- Pieces and parts that are often utilised in the manufacture or production of electronic devices and are thought to be required for the devices' regular functioning.
- Pieces and parts that are often utilised for the operating electronic devices but are not often used in their manufacture or production, for example - chargers, power cords, battery packs, and other components of a similar kind.
- Substitute pieces and parts that satisfy the conditions specified in paragraphs (a) and (b) of Clause 1 of this article.

#### **Conditions that do not satisfy the criteria's mentioned above:**

- Pieces and parts that improve the functioning or enjoyment of electronic devices but are not essential for the devices to operate or to activate basic features.
- SIM cards or other external smart cards serve the same purpose.

For further information on the above-mentioned update, please click [here](#).

Should you need any further clarification and details regarding this update, please contact our VAT Directors [Harsh Bhatia](#), or [Sunny Kachalia](#) or our VAT Associate Director [Charlotte Stanley](#).

## Value Added Tax

### Kingdom of Saudi Arabia (KSA) – The Zakat, Tax and Customs Authority (ZATCA) sets guidelines for selecting Taxpayers in Wave 9 for implementing the Integration Phase of E-invoicing

On 17 November 2023, the ZATCA announced its 9th wave of taxpayers for implementing Integration Phase (Phase 2) of E-invoicing, which now includes taxpayers whose taxable revenue exceeds 30 million Saudi Riyals (SAR) during the tax years 2021 or 2022. The taxpayers who meet the criteria should integrate their E-invoicing solutions with the FATOORA platform with effect from 1 June 2024.

ZATCA has outlined the below additional requirements for Phase 1 & 2 of the implementation of E-invoicing, which includes:

- Integrating E-invoicing solutions with FATOORA;
- Issuing invoices in a specific format;
- Including additional fields in the invoice.

The below table provides a quick summary of the sequence of target groups and important timelines.

Target groups	Taxable turnover in 2021	Go-live date	To be fully integrated by	Likely penalty dates for non-compliance
1 <sup>st</sup> wave	Exceeds SAR 3 Billion	1 January 2023	30 June 2023	1 July 2023
2 <sup>nd</sup> wave	Exceeds SAR 500 Million	1 July 2023	31 December 2023	1 January 2024
3 <sup>rd</sup> wave	Exceeds SAR 250 Million	1 October 2023	1 February 2024	Post 1 February 2024
4 <sup>th</sup> wave	Exceeds SAR 150 Million	1 November 2023	29 February 2024	Post 1 March 2024
5 <sup>th</sup> Wave	Exceeds SAR 100 Million	1 December 2023	31 March 2024	Post 1 April 2024
6 <sup>th</sup> Wave	Exceeds SAR 70 Million	1 January 2024	30 April 2024	Post 1 May 2024
7 <sup>th</sup> Wave	Exceeds SAR 50 Million	1 February 2024	31 May 2024	Post 1 June 2024
8 <sup>th</sup> Wave	Exceeds SAR 40 Million	1 March 2024	31 June 2024	Post 1 July 2024
9 <sup>th</sup> Wave	Exceeds SAR 30 Million	1 June 2024	30 September 2024	Post 1 October 2024

For further information on the above update, please click [here](#).

Should you need further clarification and details regarding this update, please contact GT KSA Head of Tax [Adel Douglas](#), or Senior Tax Manager, [Syed Abul Rahman](#) or Senior Tax Manager, [Ganesh Nair](#).

## Bahrain – The Equal Opportunity Committee of the National Bureau of Revenue (‘NBR’) holds their third meeting

On 28 September 2023, The Equal Opportunity Committee of the National Bureau of Revenue conducted their third periodic meeting of this year. The panel's chair, Sahayer Ibrahim Al Hashimi, the director of National Communication Centre's (NCC) digital information, stated that the organisation has reaffirmed its commitment to upholding the principles of equal chances by creating the required plans and strategies to incorporate women's requirements and create gender balance.

In September 2023, 164 inspection visits were conducted by the NBR, which confirmed the continuation of inspection campaigns aiming to urge all businesses registered with the NBR to adhere to VAT Laws and regulations.

Should you need further clarification and details regarding this update, please contact GT Bahrain Senior Tax Partner [Jatin Karia](#), or Director [Shashank Arya](#).



## Customs Middle East Countries Update

### Kingdom of Saudi Arabia (KSA) – New working rules for Zakat, Tax and Customs Committee (GSTC) have been approved

The Zakat, Tax, and Customs Committees (‘GSTC’) have new operating guidelines that have been approved by Royal Order No. 25711, dated 23 October 2023. Following its publication in the Official Gazette (Umm Al Qura) on 27 October 2023, these regulations will take effect, superseding the earlier regulations issued under Royal Decree No. 26040.

The key modifications are outlined as follows:

- The working rules of GSTC and will be applicable to the Custom, Tax and Zakat Committees, which have been detailed in 11 sections and 51 articles.
- Certain relaxations have been granted on handling of lawsuits. This enables the concerned circuits may handle legal proceedings even if the disputants are in different cities. However, this is not applicable in Customs smuggling and related cases which can be handled only in the concerned jurisdictions.
- The legal definition of a taxpayer includes a natural or legal person subject to Zakat, Tax, and/or Customs duties in line with the applicable laws and regulations.

- Article 3(2) of the jurisdiction and grievance procedure now includes the public rights claim. The Committees have also been given the power to impose penalties.
- A different lawsuit must be filed for each objection.
- The Committee may, at any time withdraw its decision after pronouncing it but before notifying the concerned parties.
- A notification to the address listed in the commercial registry is one of the new channels of contact.
- Plaintiff has the right to respond to the defendant's memorandum within 10 days from the notification date . In case the plaintiff does not respond within the prescribed time limit, the case will be submitted to the appropriate circuit.
- The circuit will reach a decision within 30 days after the first session and if necessary, it may take an additional 15 days.

For further information on the above update, please click [here](#).

Should you need further clarification and details regarding this update, please contact GT KSA Head of Tax [Adel Douglas](#), or Senior Tax Manager, [Syed Abul Rahman](#) or Senior Tax Manager, [Ganesh Nair](#).



# Excise Middle East Countries Update

## Bahrain – Mandatory for all specified imported tobacco excise products of excise goods to have digital stamps

Starting from 17th of September 2023, all specified imported tobacco products must mandatorily have digital stamps. Any importation of the specified tobacco products of excise goods without a valid and activated digital stamp will not be permitted through the entry points if the Kingdom of Bahrain for customs clearance.

The products that fall under the implementation phase of the digital stamps scheme on some excise goods of tobacco are as follows:

- Electronically heated tobacco products (EHTP)
- Jirak
- Chopped or pressed tobacco for pipes
- Chopped or pressed tobacco for dokha
- Chopped or pressed tobacco for cigarettes

Should you need further clarification and details regarding this update, please contact GT Bahrain Senior Tax Partner [Jatin Karia](#), or Director [Shashank Arya](#).



# International Tax & Tax Treaty

## GCC Tax Developments

### UAE Federal Tax Authority provides Corporate Tax guide on Transfer Pricing

On the 23rd of October 2023, the Federal Tax Authority (FTA) of the United Arab Emirates (UAE) released the Corporate Tax Guide on Transfer Pricing - CTGTP1 (the Guide). The purpose of this Guide is to provide guidance on Transfer Pricing regime in the UAE with the objective of providing an overview of the Transfer Pricing Rules and Procedures and assistance with the common questions that the taxpayers may have in administering their Transfer Pricing positions.

This guidance is not a legally binding document but should be the primary source of guidance for Transfer Pricing, even taking precedence over the international standards. However, if a certain aspect is not covered in the Transfer Pricing Guide, taxpayers are encouraged to make reference to the TP Guidelines published by Organisation of Economic Cooperation and Development (OECD) [also referred herein as OECD TP Guidelines]. Further, the taxpayers should also rely primarily on the Corporate Tax Law, the Ministerial Decision No. 97 of 2023 and this Guide for the Transfer Pricing matters involving the UAE.



#### Key aspects covered in the Guide are as follows:

- Transfer Pricing principles and fundamentals – covers basic introduction about Transfer Pricing, arm's length principle and the coverage of Related Parties and Connected Persons with respective examples and clarifications, that would require adherence with the Transfer Pricing rules and the arm's length standard.
- Application of the arm's length principle – provides detailed guidance on how the taxpayers should approach the identification of commercial and financial relationship for their intercompany transactions, importance of a Functions, Assets and Risks (FAR) analysis and the value chain analysis. This section covers in a fair bit of detail through examples on how a functional analysis can be performed in a real-world scenario.

Lastly, taxpayers can make use of detailed guidance on the background and essence of various prescribed Transfer Pricing methods including how they should carry out comparability and benchmarking analysis.

- Transfer Pricing documentation – explains the types of Transfer Pricing documentations that may apply to the taxpayers in a particular year and provides details on thresholds in some instances including an overview of the constituents of various types of Transfer Pricing documentation.



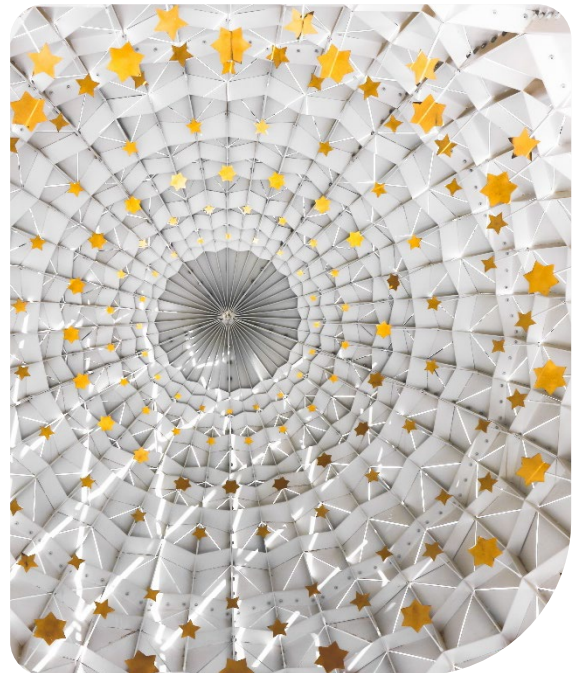
- Special considerations for specific cases – provides guidance for the application of the arm’s length principle for financial transactions, intra-group services, intangibles, Cost Contribution Arrangements, business restructurings etc.
- Transfer Pricing audit and risk assessment – envisages that the burden of proof remains with a taxpayer and all controlled transactions must have a valid economic rationality, supported by respective substantiation/ documentation. The Guide emphasis the importance of meeting the benefit test to prove that the arrangement was not solely motivated by corporate tax advantages. Also, the Guide explains the cases for Transfer Pricing adjustments such as self-adjustment (made by a taxpayer), adjustments by the FTA and corresponding cross-border adjustments.

To access the guide, please click [here](#).

Should you need any further clarifications and details regarding this information, please contact our Corporate Tax Team Partner [Anuj R. Kapoor](#) or Transfer Pricing Director [Anna Nikolayko](#).

### **UAE updates Cabinet Decisions on determining qualifying income of a qualifying free zone person including intellectual property income and nexus ratio**

The Ministry of Finance in the United Arab Emirates has released [Cabinet Decision No. 100 of 2023](#), delineating the criteria for determining the qualifying income of a qualifying free zone entity under the recently enacted Corporate Tax Law. Concurrently, the Ministry has issued [Ministerial Decision No. 265 of 2023](#), outlining additional regulations pertaining to qualifying activities, excluded activities, and de minimis requirements. Notably, these decisions supersede and update Cabinet Decision No. 55 of 2023 and Ministerial Decision No. 139 of 2023, encompassing new provisions related to qualifying intellectual property income and introducing other amendments.



**Some of the key updates and additional clarifications provided under the new Decisions are outlined below:**

- Scope of Qualifying Income has been expanded to include ‘income derived from the ownership or exploitation of Qualifying Intellectual Property’, with the exception of any marketing related intellectual property assets, e.g., trademarks. Accordingly, the ‘Ownership or exploitation of intellectual property assets’ has been removed from the list of ‘Excluded Activities as per previous Decision.
- Scope of Qualifying Activities has been expanded to include ‘trading of Qualifying Commodities’, which means physical trading activities of Qualifying Commodities (e.g., metals, minerals, energy and agriculture commodities), and associated derivative trading used to hedge against risks involved in such activities. The commodities must also be traded on a recognised commodities exchange market in the UAE or outside the UAE of equal standing.
- The Qualifying Activity of ‘holding of shares and other securities’ has been amended to ‘Holding of shares and other securities for investment purposes’, whereby shares and other securities are deemed to be held for investment purposes when held for an uninterrupted period of at least (12) twelve months.

- In respect of Distribution Activity, the new Guidance provides that the distribution of goods or materials must be conducted in or from a Designated Free Zone. In addition, the Guidance provides that those goods that are entering the UAE must be imported through a Designated Zone. We expect that the Ministry will further issue guidance on the specific treatment of ‘drop shipment’ models and whether they would be considered as a ‘Qualifying Activity’.
- The meaning of ‘ancillary activities’ associated with a Qualifying or Excluded Activity has been defined to include those activities where it is necessary for the performance or closely related to the main activity or makes a minor contribution, but not considered as a separate activity.
- For purposes of maintaining adequate substance for Free Zone entities, these can be outsourced to any person in a Free Zone or a Designated Zone. In respect of Qualifying Intellectual Property, the activities can be outsourced to any person in the UAE or non-related party outside the State. The above is subject to the condition that the Qualifying Free Zone Person has adequate supervision of the outsourced activity.
- The new Decision maintains the threshold of 5% of Total Revenue, or AED5,000,000, whichever is lower, for purposes of the De Minimis requirements. In calculating the Non-Qualifying Revenue, revenue relating to transactions with a Free Zone Person who is not the Beneficial Recipient of the relevant Services or Goods should be included, in addition to revenue from Excluded Activities, and non-Qualifying Activities carried out with Non-Free Zone Persons.
- The updated guidance also included provisions on calculating the Qualifying Income in relation to Qualifying Intellectual Property. The relevant formula and related definitions can be accessed through the link to the new Cabinet Decisions provided above.

Free Zones entities must consider the new Cabinet Decisions and reevaluate its implications to their business. Our team at Grant Thornton UAE will be pleased to assist in examining the impact of the updated guidelines on your business activities.

Should you need any further clarifications and details regarding this information, please contact our Corporate Tax Team – Tax Partner [Anuj R. Kapoor](#) , Associate Tax Director [Tatiana Stupenkova](#) or [Amisha Anil](#).





## **UAE Federal Tax Authority releases Corporate Tax guide on taxation of foreign source income**

On the 16th of November 2023, the FTA released the Corporate Tax Guide on Taxation of Foreign Source Income - CTGFSI1.

### **Purpose of the Guide:**

The guide is designed to provide assistance and information to taxpayers.

It specifically focuses on the taxation aspects related to income originating from foreign sources.

The guide implies that the information and guidelines provided are tailored for corporations and business entities, rather than individual taxpayers. Some topics covered include:

#### **1. Relevance of Foreign Source Income under Corporate Tax Law:**

Understanding the significance of income from foreign sources within the framework of the Corporate Tax Law.

#### **2. Definition of Foreign Source Income for Taxable Persons under Corporate Tax Law:**

Clarifying what constitutes foreign source income for individuals or entities classified as Taxable Persons under the Corporate Tax Law.

#### **3. Taxation of Foreign Source Income for Specific Taxable Persons:**

Identifying the subset of Taxable Persons who are liable to pay taxes on income derived from foreign sources.

#### **4. Taxability Timelines for Foreign Source Income:**

Explaining the circumstances under which foreign source income becomes subject to taxation.

#### **5. Calculation of Taxable and Exempt Income for Foreign Source Income:**

Determining how Taxable Income and Exempt Income are computed concerning income from foreign sources.

#### **6. Foreign Tax Credit Computation:**

Explaining the concept of a Foreign Tax Credit and providing details on how it is calculated.



This guide is directed towards individuals or entities classified as Taxable Persons in the United Arab Emirates (UAE) who earn income from sources outside the country, including those designated as Qualifying Free Zone Persons. The intended readership is advised to refer to this guide alongside the Corporate Tax Law, its implementing decisions, and additional pertinent guidance released by the Federal Tax Authority (FTA). The purpose is to provide comprehensive information and assistance to individuals and entities subject to taxation in the UAE for income generated from foreign sources. The guide is meant to complement and be used in conjunction with existing legal frameworks and guidance materials provided by the FTA.

To access the guide, please click [here](#).

Should you need any further clarifications and details regarding this information, please contact our Corporate Tax Team – Tax Partner [Anuj R. Kapoor](#), Associate Tax Directors [Tatiana Stupenkova](#) or [Amisha Anil](#).

## UAE Federal Tax Authority provides guide on accounting standards and interaction with Corporate Tax

On 6 November 2023, the FTA published the [Corporate Tax Guide on Accounting Standards and Interaction with Corporate Tax - CTGACSI](#).

The guide aims to offer comprehensive guidance on the intersection of Accounting Standards with Corporate Tax. It furnishes readers with a summary of:

- Preparation of Financial Statements;
- The Cash Basis of Accounting;
- The realisation basis of accounting;
- Other adjustments under Article 20(2)(i) of the Corporate Tax Law; and
- Adjustments under the transitional rules.

The Guide also provides practical examples of applying adjustments for the Corporate Tax purposes arising from realisation basis accounting and changes in the value of the assets, transitional rules, adjustments of amounts recorded in Other Comprehensive Income, as well as adjustments arising from Equity method of accounting and transactions between Qualifying Group.

For information on IFRS, please visit <https://www.ifrs.org>.

Should you need any further clarifications and details regarding this information, please contact our Corporate Tax Team – Tax Partner [Anuj R. Kapoor](#) or Associate Tax Director [Tatiana Stupenkova](#) or [Amisha Anil](#).

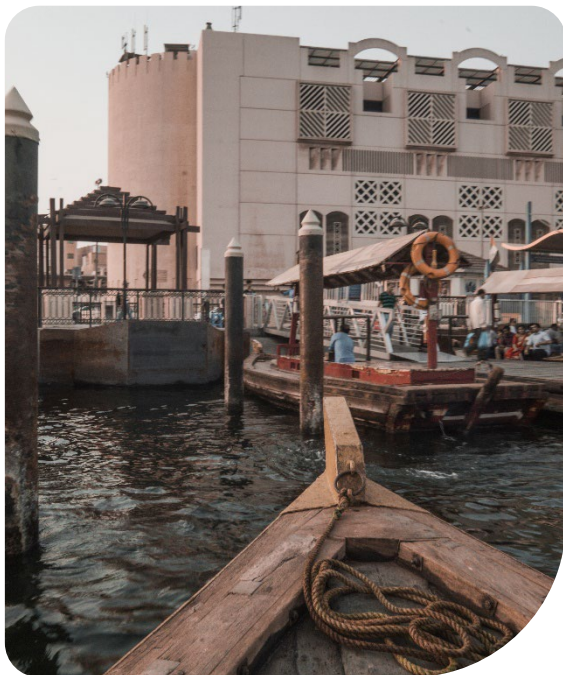
## UAE Ministerial Decision on the issuance of tax residency certificate for the purposes of international agreements

The Ministry of Finance in the United Arab Emirates has released [Ministerial Decision No. 247 of 16 October 2023](#), pertaining to the issuance of tax residency certificates for the facilitation of international agreements. The Ministerial Decision outlines the following provisions:

- In accordance with Article 6 (International Agreements) of Cabinet Decision No. 85 of 2022 an individual who fulfills the criteria for tax residency in the UAE as per the stipulations of a relevant international agreement is eligible to apply to the authority for the issuance of a tax residency certificate for the specific purposes outlined in that international agreement.
- The application mentioned in the preceding point must be submitted using the format and method specified by the authority, encompassing all essential information required for the authority to process and issue the tax residency certificate.
- Upon verification that the applicant complies with the conditions of tax residency in the UAE as defined by the pertinent international agreement, the authority retains the discretion to approve the application and subsequently furnish a tax residency certificate. This certificate may be in the designated form attached to the Decision or any other format deemed acceptable by the authority.

Ministerial Decision No. 247 of 2023 is considered effective from 1 March 2023.

Should you need any further clarifications and details regarding this information, please contact our Corporate Tax Team – Tax Partner [Anuj R. Kapoor](#) or Associate Tax Director [Tatiana Stupenkova](#) or [Amisha Anil](#).



### Kuwait to extend Corporate Tax to all entities and consideration to implement Pillar Two

The government of Kuwait is purportedly considering the extension of corporate income tax to encompass all entities operating within the country, with an exemption carve-out for small enterprises. Presently, Kuwait imposes a 15% corporate income tax solely on entities with foreign ownership. The envisaged expansion of corporate income tax to include all entities is a response to the Pillar 2 global minimum tax framework and is anticipated to be executed in stages, commencing in the year 2025.

The Pillar Two Model Rules, alternatively recognised as the "Global Anti-Base Erosion" or "GloBE" Rules, constitute a pivotal element within the framework of the Base Erosion and Profit Shifting (BEPS) initiative.

These rules are designed to tackle the complexities arising from the digitalisation of the global economy and the propensity of multinational enterprises (MNEs) to transfer profits to jurisdictions with lower tax rates. The primary objective is to institute a universal minimum tax rate of 15%, applicable to MNEs with global revenues exceeding EUR 750 million. This measure ensures that MNEs are subject to a minimum level of taxation, irrespective of their operational locations.

The ambit of the Pillar Two Rules excludes taxpayers without a foreign presence or those with consolidated revenues below EUR 750 million, along with government entities, international organisations, and non-profit organisations. Additionally, entities falling within the definitions of pension funds, investment funds, or real estate funds are not encompassed within the scope. Even if the multinational enterprise (MNE) group they oversee remains subject to these rules, these specified entities are exempted.

### **Kuwait's Consideration on Pillar Two Application**

The Kuwait Ministry of Finance (MOF) is presently evaluating a proposition to enact tax legislation imposing a 15% tax on the profits of Multinational Enterprises (MNEs), encompassing significant international corporations. The suggested implementation is envisioned to occur in two phases, with the initial stage potentially taking effect in 2025, followed by the second stage in 2026.



### **OECD Fact Sheets about Pillar Two**

As per the OECD fact sheets document, five key steps are illustrated as a MNE might go through to determine its liability under the Pillar Two Model Rules.

#### **Step 1 – Constituent Entities within scope**

To identify Groups within Scope and the location of each Constituent Entity within the Group.

#### **Step 2 – GloBE Income**

To determine the Income of each Constituent Entity

#### **Step 3 – Covered taxes**

To determine taxes attributable to the Income of a Constituent Entity

#### **Step 4 – Effective Tax Rate and Top-up Tax**

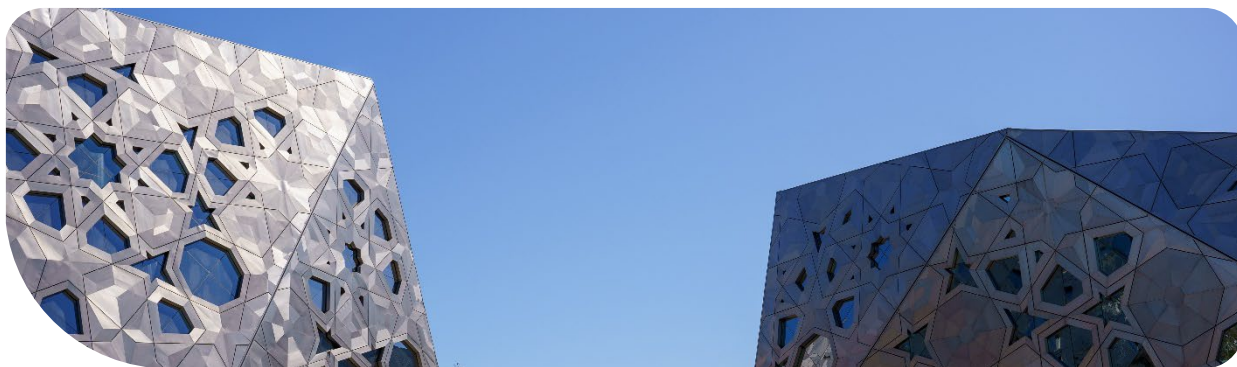
To calculate the Effective Tax Rate of all Constituent Entities located in the same jurisdiction and determine the resulting Top-up Tax

#### **Step 5 – Income Inclusion Rule (“IIR”) and Undertaxed Payment Rule (UTPR)**

To impose Top-up Tax under two main elements of Pillar Two:

- a. **IIR:** Where the minimum tax is paid at the level of the parent entity, in proportion to its ownership interests in those entities that have low taxed income. Generally, the IIR is applied at the top, at the level of the ultimate parent entity, and works its way down the ownership chain
- b. **UTPR:** which allows a tax authority of a specific jurisdiction to increase taxes on a business if that business is part of a larger company that pays less than the proposed global minimum tax of 15% in another jurisdiction

Should you need any further clarifications and details regarding this information, please contact GT Kuwait Tax Team – Tax Partner [Hazem Al-Agez](#) or Tax Manager [Karim Ezz El-Din](#).



## **The Zakat, Tax, and Customs Authority (ZATCA) has published a draft Income Tax Law for public consultation**

The ZATCA have released a draft of the Income Tax Law for public review. This draft aims to reform the existing income tax legislation in alignment with international best practices and the Kingdom's overarching visions and objectives. The primary objectives include promoting Foreign Direct Investment (FDI) without hindering overall economic progress, enhancing transparency, and fostering voluntary compliance among taxpayers. It's important to note that the draft does not introduce significant changes concerning liable persons (taxpayers). The deadline for submitting comments and feedback on the draft via the public consultation platform (Istitlaa) is set for December 25, 2023.

This initiative seeks to overhaul the income tax framework by introducing a revised set of legislation that is intended to replace the current law enacted in 2004. The draft legislation has been crafted to align with international best practices and the sustained vision and objectives of the Kingdom. Its primary objectives are to promote Foreign Direct Investment (FDI) without obstructing overall economic progress, enhance transparency, and incentivise voluntary compliance among taxpayers. It is essential to underscore that this proposal does not envisage substantial modifications to the category of liable persons (Taxpayers).

For further information please click [here](#).

Should you need any further clarification and details regarding this update, please contact our GT KSA Tax Team – Head of Tax [Adel Daglas](#), Tax Partner [Imad Adileh](#) or Tax Director [Mohamed Hwitat](#).

## **Zakat and Tax Procedural Law**

The Zakat and Tax Procedural Law endeavors to formulate a comprehensive procedural law consolidating provisions for various tax categories and Zakat. Its objectives include defining the rights and obligations of Zakat and taxpayers in conjunction with the Zakat, Tax, and Customs Authority (ZATCA) to enhance transparency, clarity, and voluntary compliance. Additionally, it aims to align with international developments and adhere to best practices within the tax landscape.

For further information please click [here](#).

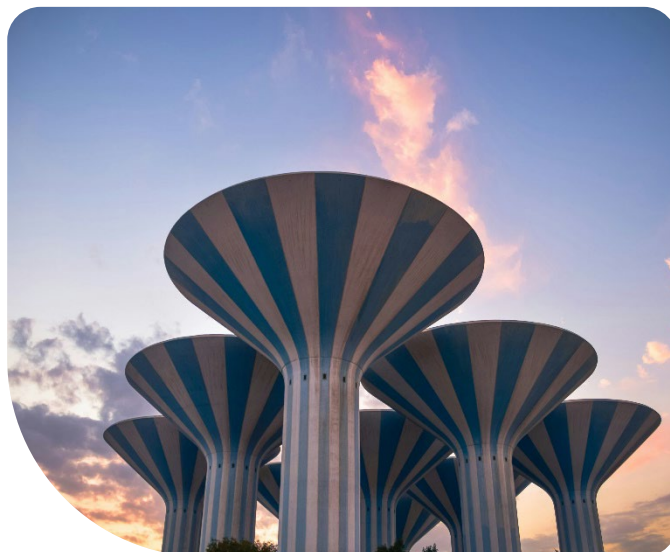
Should you need any further clarification and details regarding this update, please contact our GT KSA Tax Team – Head of Tax [Adel Daglas](#), Tax Partner [Imad Adileh](#) or Tax Director [Mohamed Hwitat](#).

# GCC Tax Treaty Developments

## Kuwait and Paraguay to negotiate tax treaty

Representatives from Kuwait and Paraguay convened for discussions regarding their mutual interest in negotiating an income tax treaty. If such an agreement materialises, it would mark the inaugural treaty of its nature between the two nations and would necessitate finalisation, signing, and ratification before becoming legally effective.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner [Anuj R. Kapoor](#) or Associate Tax Director [Amisha Anil](#).



## Protocol to tax treaty between Ukraine and the UAE has entered into force

The amending protocol to the income and capital tax treaty of 2003 between Ukraine and the United Arab Emirates has become effective as of October 19, 2023. This protocol, signed on February 14, 2021, represents the initial modification to the treaty and incorporates the subsequent changes:

- The preamble is revised to align with BEPS (Base Erosion and Profit Shifting) standards.
- Article 2 (Taxes covered) is amended to update Ukraine's taxes, replacing "income tax on citizens" with "personal income tax."
- The definition of "competent authority" in Article 3 (General Definitions) is updated, now referring to the Ministry of Finance or its authorised representative for both Contracting States.
- The definition of "profits" in Article 8 (Shipping and Air Transport) is revised.
- Paragraph 2 of Article 10 (Dividends) is modified to introduce a 5% withholding tax rate on dividends when the beneficial owner is a company directly holding at least 10% of the paying company's capital; otherwise, it is set at 15%.
- Paragraph 3 of Article 10 (Dividends) is amended to exempt withholding tax on dividends if the beneficial owner is a Contracting State, a political subdivision, a local authority, a statutory body, or the Central Bank thereof, including specified banks and financial institutions for each Contracting State.
- Paragraph 2 of Article 11 (Interest) is changed to establish a 5% withholding tax rate on interest.
- Paragraph 3 of Article 11 (Interest) is adjusted to provide an exemption from withholding tax on interest for the beneficial owner if it is a Contracting State, a political subdivision, a local authority, a statutory body, or the Central Bank thereof, including specified banks and financial institutions for each Contracting State.



- Paragraph 7 of Article 11 (Interest), containing a main purpose test, is removed.
- Paragraph 3 of Article 12 (Royalties) is revised to introduce a 5% withholding tax rate on royalties paid for the use of, or the right to use, any copyright of scientific work, patent, trademark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience (with a retained 10% rate for copyrights).
- Article 26 (Exchange of Information) is revised to align with OECD standards.
- Article 29 A (Entitlement to Benefits) is added, specifying that a benefit under the treaty shall not be granted for income or capital if it is reasonable to conclude that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted in that benefit, unless it is established that granting that benefit would be in line with the object and purpose of the relevant provisions of the treaty.
- Article 29 B (Income from Hydrocarbons) is added, stating that no provision in the treaty shall affect the right of either Contracting State or any of their local Governments or local authorities to apply domestic laws and regulations related to the taxation of income and profits derived from hydrocarbons located in their respective territories.

The protocol applies from 1 January 2024.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner [Anuj R. Kapoor](#) or Associate Tax Director [Amisha Anil](#).



## Tax treaty between Qatar and Saudi Arabia to be negotiated

On October 31, 2023, the Saudi Cabinet granted authorisation for the commencement of negotiations regarding an income tax treaty with Qatar. If such an agreement is reached, it would represent the inaugural treaty of its nature between the two nations and would necessitate finalisation, signing, and ratification before becoming legally effective.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner [Anuj R. Kapoor](#) or Associate Tax Director [Amisha Anil](#).

## Barbados updates CbC Report exchange relationship

The Barbados Revenue Authority has recently released [Guidance Note PPG No. 08/2023](#), presenting an updated roster of jurisdictions with which Barbados aims to establish an exchange relationship for sharing Country-by-Country (CbC) reports. As of October 17, 2023, the note delineates the jurisdictions with which Barbados currently holds an exchange relationship under the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports (CbC MCAA).

The revised list comprises 72 jurisdictions with an active exchange relationship with Barbados, featuring the inclusion of Aruba, Bahrain, Panama, and Singapore, and the exclusion of the Maldives. Notably, the total count of jurisdictions slated for an exchange relationship remains unchanged at 91.

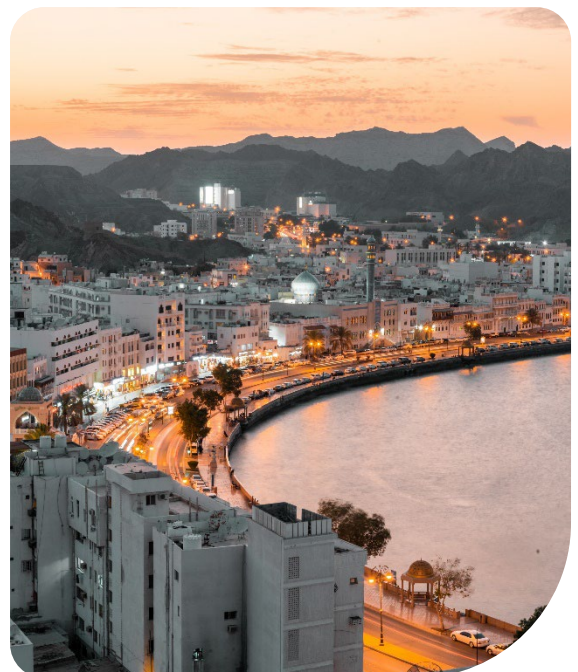
The list additionally incorporates the United States, notwithstanding its status of not being designated with an intended or activated exchange relationship with Barbados. This designation arises from the fact that the United States is not a participant in the CbC MCAA. Consequently, Barbados is obligated to engage in negotiations for a bilateral qualifying competent authority agreement to enable the exchange of CbC reports. As indicated by the [IRS CbC Reporting Jurisdiction Status Table](#), negotiations between Barbados and the United States have not commenced.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner [Anuj R. Kapoor](#) or Associate Tax Director [Amisha Anil](#).

## Russian government approves pending tax treaty with Oman

On October 18, 2023, the Russian government endorsed the draft legislation for the ratification of the pending income tax treaty with Oman, officially signed on June 8, 2023. Although a previous treaty was signed in 2001, it remained unratified. The newly proposed treaty will become effective upon the exchange of ratification instruments and is set to be applicable from January 1 of the subsequent year following its official enactment.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner [Anuj R. Kapoor](#) or Associate Tax Director [Amisha Anil](#).



## Egypt ratifies pending tax treaty with Qatar

On October 19, 2023, Egypt released Decision No. 254 of 2023 in the Official Gazette, officially confirming the ratification of the pending income tax treaty with Qatar. This treaty, inked on February 27, 2023, is the inaugural agreement of its nature between the two nations. It outlines the following withholding tax rates:

- Dividends - 5% if the beneficial owner is a company that directly holds at least 10% of the paying company's capital for an uninterrupted period of 365 days that includes the date of payment; otherwise, 10%
- Interest - 10%
- Royalties - 10%

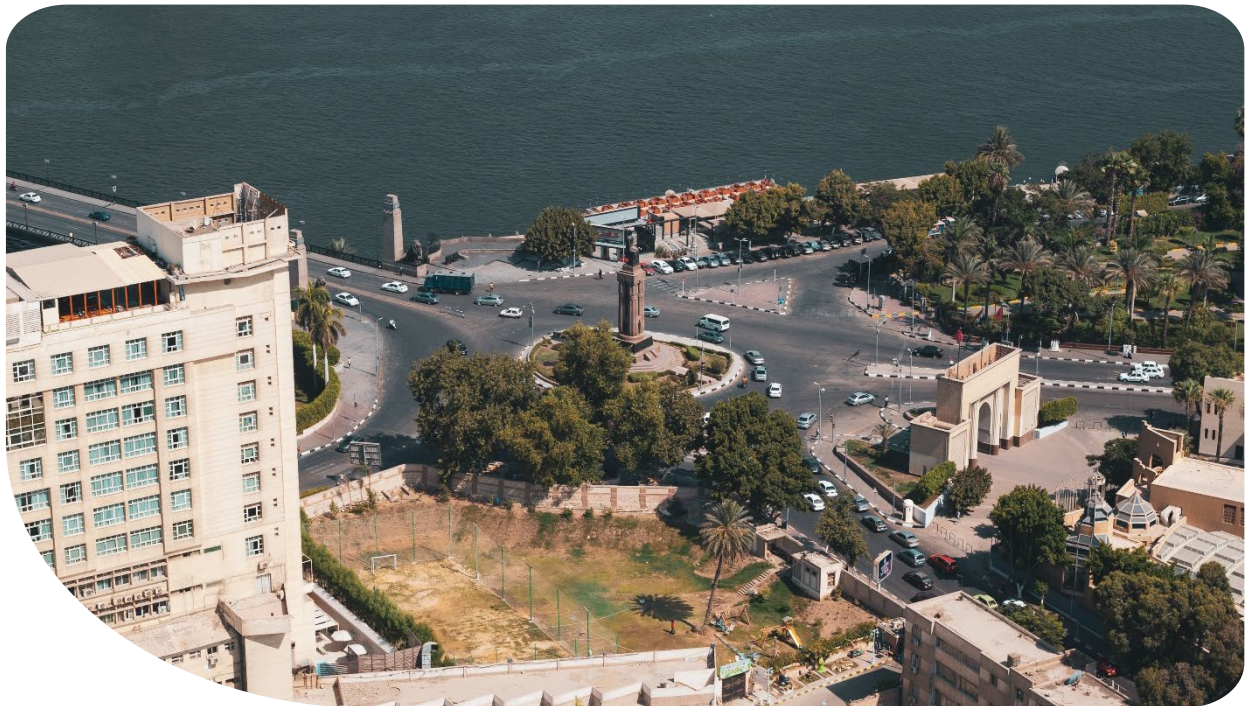
The treaty will become legally effective 15 days subsequent to the exchange of ratification instruments and will be applicable from January 1 of the year succeeding its commencement. Further details will be disclosed as they become available.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner [Anuj R. Kapoor](#) or Associate Tax Director [Amisha Anil](#).

## UAE Cabinet approves pending tax treaty with Tanzania

On October 9, 2023, the Cabinet of Ministers in the United Arab Emirates formally endorsed the pending income tax treaty with Tanzania. This treaty, executed on September 27, 2022, marks the inaugural agreement of its nature between the two nations and will take effect subsequent to the exchange of ratification instruments.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner [Anuj R. Kapoor](#) or Associate Tax Director [Amisha Anil](#).



# Our Experts

## United Arab Emirates



### Steve Kitching

Head of Tax, Partner  
Tax Advisory

T +971 58 5520 90 64  
E [steve.kitching@ae.gt.com](mailto:steve.kitching@ae.gt.com)



### Anuj R. Kapoor

Partner  
Tax Advisory

T +971 4 388 9925  
E [anuj.kapoor@ae.gt.com](mailto:anuj.kapoor@ae.gt.com)

## Kingdom of Saudi Arabia



### Adel Daglas

Head of Tax  
Zakat & Tax

T +966 (0) 55 280 7442  
E [adaglas@sa.gt.com](mailto:adaglas@sa.gt.com)



### Imad Adileh

Partner  
Tax Advisory

T +966 (0) 59 558 0027  
E [iadileh@sa.gt.com](mailto:iadileh@sa.gt.com)



### Mohamed Hwitat

Director  
VAT Advisory

T +966 (0) 53 454 3017  
E [mhwitat@sa.gt.com](mailto:mhwitat@sa.gt.com)

## Kingdom of Bahrain



### Jatin Karia

Senior Partner  
Tax Advisory

T +973 3957 5562  
E [jatin.karia@bh.gt.com](mailto:jatin.karia@bh.gt.com)



### Shashank Arya

Director  
Tax Advisory

T +973 3544 2937  
E [shashank.arya@bh.gt.com](mailto:shashank.arya@bh.gt.com)

## Sultanate of Oman



### Badar Al Hashmi

CEO and Head of Advisory  
GT Oman

T +968 90333330  
E [badar.alhashmi@om.gt.com](mailto:badar.alhashmi@om.gt.com)

## Kuwait



### Hazem Al-Agez

Partner  
Tax Advisory &  
Compliance Services

T +965 9994 9147  
E [hazem.alagez@kw.gt.com](mailto:hazem.alagez@kw.gt.com)



### Karim Ezz El-Din

Manager  
Tax Advisory &  
Compliance Services

T +965 6624 6798  
E [karim.ezzeldin@kw.gt.com](mailto:karim.ezzeldin@kw.gt.com)

## Abu Dhabi

Al Kamala Tower  
Office 1101, 11th Floor  
Zayed the 1<sup>st</sup> Street  
Abu Dhabi, UAE

**T** +971 2 666 9750  
**F** +971 2 666 9816

## Dubai

The Offices 5  
Level 3, Office 303  
One Central, DWTC  
PO Box 1620  
Dubai, UAE

**T** +971 4 388 9925  
**F** +971 4 388 9915

## Abu Dhabi

Unit 2, Floor 14  
Sila Tower  
ADGM Square  
Al Maryah Island  
Abu Dhabi, UAE

**T** +971 2 666 9750  
**F** +971 2 666 9816

## Sharjah

Al Bakr Tower  
Office 305  
7/9 Al Khan Street  
Sharjah, UAE

**T** +971 6 525 9691  
**F** +971 6 525 9690



© 2023 Grant Thornton UAE. All rights reserved.

Grant Thornton refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.