



Tax Newsletter

August 2023



Landscape

In our August 2023 edition of GT's Monthly Tax Newsletter, you can read the latest news updates affecting International Tax, Transfer Pricing, and Indirect Tax in the UAE and across the GCC Region.

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The General Update

Value Added Tax

The Federal Tax Authority ('FTA') has published public clarification number TAXP006 on the issuance of New Tax Procedures Executive Regulations

On 28 July 2023, the FTA published TAXP006, detailing the amendments in the new Executive Regulations, Cabinet Decision No. 74 of 2023 on the Executive Regulations of Federal Decree Law No. 28 of 2022 replacing the old Cabinet Decision No. 36 of 2017 on the Executive Regulations of Federal Decree Law No. 7 of 2017, with effect from 1 August 2023. The new Executive Regulations on Tax Procedures now aligns the definitions, procedures and processes with the New Tax Procedure Law.

The summary of key updates are as follows:

Definitions: The definition of "Assets" has been amended to include intangible assets such as patents, trade-marks, licenses, copyrights, etc.

Recordkeeping: In addition to the previous requirements, taxpayers should also keep records of the following;

- Correspondences, licenses, invoices, agreements/contracts related to the business.
- Supporting documents for any determination or calculations made for tax purposes.
- Related party transactions including transfer pricing documents.

Period of record keeping: Businesses should maintain their record for certain periods for the FTA to conduct Audit and verify their tax obligations unless the Tax Law states otherwise.

- Real estate records for the FTA to conduct Audit and verify their tax obligations unless the Tax Law states otherwise. Real estate records must be retained for 7 years from the end of the calendar year in which such documents/record was created. However, an exception to this is Article 71(2) of the UAE VAT Executive Regulations which requires that real estate records are to be maintained for 15 years.
- The general document retention period of 5 years would be extended by one year from the date of submission of voluntary disclosure ['VD'] in case the VD was submitted in the 5th year.
- The documents should be retained for an additional 4 years in case of receipt of the Tax Audit notice or ongoing Tax Audit or ongoing dispute with authority (4 years or until the dispute is settled, whichever is later).
- Legal representatives are required to retain the books and the records of the person they were representing for 1 additional year from the end of such representation.

Language: The FTA may accept documents related to tax like tax returns, data, information, records etc., to be submitted in English or Arabic. If submitted in English, the FTA may request specific or all documents to be translated into Arabic.

As per the old Executive Regulations, it was required that the tax returns, information, data and other documents be submitted in Arabic unless as an exception the FTA accepted the documents in English language.

Amendment of records of Taxable Persons: The taxable person is now required to inform the FTA of any change/update in the details previously furnished pertaining to email address, trade license activities, legal status and partnership agreement for unincorporated partnerships in addition to the previous requirements.

Deregistration: The FTA retains the discretion to deregister a registrant for any tax, if the registrant fails to submit the deregistration application do so upon reaching its requirements.

Voluntary Disclosure: It is clarified that in case of error or omission in any tax returns submitted to the FTA with no impact to the due tax for the period, then a voluntary disclosure is required to be submitted to rectify the error. e.g., Incorrect emirate-wise reporting, incorrect reporting of zero or exempt supplies.

However, from a practical standpoint, we have observed that the EmaraTax portal currently does not allow the submission of voluntary disclosures for VAT returns with no tax impact. We expect the FTA to update the EmaraTax portal to enable the submission of voluntary disclosures in such cases with respect to all taxes.

Notifications from the FTA: The means of notification from the FTA now include text messages on mobile, through smart applications and through the FTA's electronic systems. The FTA's mobile application is now available for both IOS and Android.

Tax Agents: The New Executive Regulations have introduced a few changes to the requirements of registering as Tax Agents.

- **Natural Persons:** A natural person wishing to register as tax agent must have the following:
 - 3 years of relevant experience in the last 5 years with a Bachelors/Master's degree in tax, accounting or law from a recognised institution (a valid professional qualification in case of Bachelors /Masters other than tax)
 - or 3 years of relevant experience in the last 5 years with Bachelors/Master's degree other than tax, accounting, or law from a recognised institution along with a valid professional qualification from an approved institution
 - or 5 years of relevant experience in the last 8 years with Bachelors/Master's degree other than tax, accounting, or law from a recognised institution
 - Qualification test by FTA (Separate tests for Indirect tax and Corporate tax)
 - To complete necessary training and qualifying exams specified by the FTA
 - Fluency in Arabic or English
- **Juridical Persons:** The concept of juridical person tax agent has been newly added and must meet the following requirements. (Effective 1 December 2023)
 - Should hold a trade license registered as a tax, law or audit firm
 - Should be covered under a valid professional indemnity insurance
 - To have at least one partner or director meeting the requirements of natural person tax agent supervising services provided by the juridical person
 - Such natural person tax agent should not be working for another juridical person or for its benefit

- **Listing and De-listing:**

- Natural person tax agent should renew their registration every 3 years
- Juridical person tax agent should renew their registration every year
- Renewal application to be submitted 20 days prior to expiry and relevant fee to be paid within 20 business days
- Failure to renew will constitute to de-listing of tax agent and delinking from taxpayers as agent
- Tax agent shall be delisted for failure to meet the eligibility requirements, violating the law, facilitating tax evasion or an active member of TDRC.

- **Obligation and Rights:** In addition to the existing rights and obligations, the below have been added:

- Tax agents should meet continuous professional development requirements (CPD) specified by the FTA
- Should retain information, documents, records and data of any person they represent

Tax Audits: The procedures of tax audits, the rights and obligations remain the same but the following has been added/amended.

- The FTA should give a notice of 10 business days before conducting tax audit (previously 5)
- The FTA auditor has the right to mark the original documents to indicate the inspection
- The FTA should provide the nature and description of documents removed for tax audit purposes
- In case of disposal of assets, the FTA can notify the owner of the asset or other specified persons if notification to the former is not possible.
- The FTA shall fulfill the request from a person for viewing or obtaining the supporting data, which were requested for assessing the due tax within 10 business days of request from the taxpayer (previously 20 business days)

Reconciliation process for tax evasion crimes: In case of tax evasion crimes and deliberate failure to settle the administrative penalties, a person may submit a reconciliation application with the FTA before initiation of criminal case and undertake to settle the payable tax and administrative penalties and an additional payment of AED 50,000 (in certain cases).

Extension of deadlines:

- The FTA may extend the deadline for accepting the submission of tax assessment review request or reconsideration request upon request by the taxpayer.
- The FTA may extend the deadline to issue decision on tax assessment review request or request for reconsideration for 20 business days.
- The Tax Disputes and Resolution Committee may extend the deadline to submit tax objection at request if the circumstances are satisfactory.
- The Tax Disputes and Resolution Committee may extend the deadline for deciding on tax objection by 60 business days.

Bankruptcy: In case of business subject to bankruptcy, the FTA will notify the bankruptcy trustee of the amount of due tax of the business and the intention to perform tax audits within 20 business days after being notified of the trustee's appointment.

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 UAE [tax experts](#).

Kingdom of Saudi Arabia ('KSA') – The Zakat, Tax and Customs Authority ('ZATCA') has relaunched the penalty waiver and has been extended and valid till 31 December 2023

Recently, the ZATCA has announced the extension of their penalty exemption period initially launched in 2020. The extended period will now span from 1 June 2023 to 31 December 2023.

The amnesty will cover exemptions from the following:

- Penalties resulting from late registration under all tax systems.
- Penalties for late payment and late tax return filing in all tax systems.
- Penalties resulting from the correction of a VAT return; and
- Penalties resulting from detected violation acts related to the application of e-invoicing and other general provisions related to VAT.

For businesses that intend to benefit from these exemptions will have to comply with the following requirements:

- The taxpayer needs to be registered with the tax system and must submit all previously unsubmitted returns to ZATCA.
- The taxpayer must clear all the principal tax debt associated with the returns that will be submitted or modi-fied to ensure accurate disclosure of outstanding tax liabilities.
- The taxpayers will have the option to request an instalment payment plan from ZATCA throughout the peri-od of this initiative.

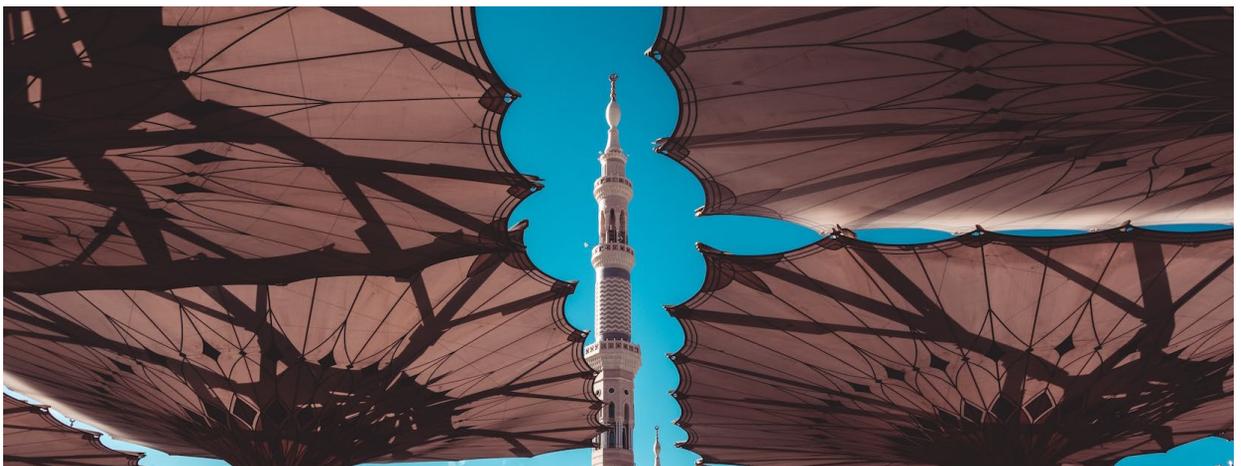
However, it's important to note that certain penalties are excluded from this initiative such as penalties relating to tax evasion violations, penalties paid before the effective date of the initiative on 1 June 2022.

Furthermore, the taxes covered by the initiative include Value Added Tax ('VAT'), Withholding Tax ('WHT'), Excise Tax, Income Tax, and Real Estate Transaction Tax ('RETT').

The Tax Amnesty initiative was initially launched in March 2020 to boost the economy and support the private sector during a crisis; it has undergone multiple extensions since then. Through these extensions, the authorities seek to provide continued relief and support to taxpayers and businesses and help them navigate financial difficulties.

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

Should you need any further clarification and details regarding this update, please contact our KSA [tax experts](#)



The UAE Update

The Federal Tax Authority (FTA) has published VAT Guides for the submission of VAT Returns and Voluntary Disclosures ('VD')

On 7 August 2023, the FTA published 4 new user VAT process and procedure manuals on the Emaratax Portal:

- [User Manual on the submission of Voluntary Disclosure for E-commerce reporting](#)
- [User Manual on the Process of submission of final VAT Return - VAT 201](#)
- [User Manual on the submission of VAT returns Form for E-commerce reporting](#)
- [User Manual on how to resubmit Voluntary Disclosure](#)

For further information on the above-mentioned update, please click on the associated links.

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](#).



The GCC Update

Value Added Tax

Kingdom of Saudi Arabia ('KSA') – The Zakat, Tax and Customs Authority ('ZATCA') sets guidelines for selecting Taxpayers in Wave 7 for implementing the Integration Phase of E-invoicing

On 28 July 2023, the ZATCA announced its 7th wave of taxpayers for implementing Integration Phase (Phase 2) of E-invoicing, which now includes taxpayers whose taxable revenue exceeds 50 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 1st February 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 st wave	Exceeds SAR 3 Billion	1 January 2023	30 June 2023	1 July 2023
2 nd wave	Exceeds SAR 500 Million	1 July 2023	31 December 2023	1 January 2024
3 rd wave	Exceeds SAR 250 Million	1 October 2023	1 February 2024	Post 1 February 2024
4 th wave	Exceeds SAR 150 Million	1 November 2023	29 February 2024	Post 1 March 2024
5 th Wave	Exceeds SAR 100 Million	1 December 2023	31 March 2024	Post 1 April 2024
6 th Wave	Exceeds SAR 70 Million	1 January 2024	30 April 2024	Post 1 May 2024
7 th Wave	Exceeds SAR 50 Million	1 February 2024	31 May 2024	Post 1 June 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](#).

Oman - The Oman Tax Authority ('OTA') has published the VAT Guide for Transfer of Activity

The OTA has published a VAT guide that provides clarifications/guidance for business owners who wish to transfer business to be carried by new owners on key matters relating to the Transfer of Activity with respect to registration, special cases and input tax deduction.

Conditions for transfer of activity without VAT Article (13) of the Executive Regulation:

- The element of the activity that has been transferred in part is capable of functioning independently. The requirement necessitates a degree of coherence among the offered goods and services so that each can be managed as a standalone enterprise.
- The supply contains all of the transferred activity's elements, whether fully or partially. The assets utilised to carry out the activity, both tangible and intangible, as well as its obligations, are considered to be its elements.
- The assets are put to identical use by the transferee as they were by the transferor. Although the recipient of the transfer need not be authorised by the relevant body to conduct the activity and need not just own a collection of assets, the activity need not be the same as the activity of the transferor. As soon as it is practically feasible, the person who purchases the assets should start using them for carrying out an economic activity. The continuation of economic activity is essential, not that it resembles the transferors.
- The transferred assets are used by the transferee to carry out the same kind of operation as the transferor. The recipient of the transfer must have the necessary authorisation from the relevant entity to carry out the Activity, not only be the owner of a collection of assets. This Activity need not be the same as the Activity of the transferor. From the moment that it is commercially practicable, the individual who purchases the assets should begin using them for carrying out an economic activity. It matters that an economic activity continues, regardless of that it is the same as the transferors.
- There must not be a series of consecutive transfers of the assets.

Registration Cancellation due to Transfer of an Activity

A transferor shall cancel his tax registration upon transfer of activity to another person in the following ways:

- An application to cancel the registration to be submitted to the Tax Authority within a period of 2 months from the end of the tax year provided the conditions are not met for tax registration with respect to transfer of activity.
- The application form to cancel registration shall be downloaded from the Taxpayer Portal and must include details as per the form provided by the Tax Authority.
- The Tax Authority shall decide on cancelling the Registration within thirty (30) days upon completion of all required data.

Special Cases

- Transfer of an Activity between members of the same VAT group
 - The purpose of a VAT group is to treat the members of the VAT group as one single person and one member will become the representative member of the VAT group.
 - VAT shall not be charged on the supplies made between the members of the same VAT group and would not qualify as a transfer of activity.
- Transfer of Real Estate
 - The sale of commercial real estate is subjected to VAT at 5% if situated in Oman irrespective of the resident status of the supplier and the recipient.
 - The Tax Authority considers that a portfolio of commercial buildings sold as an ongoing property business (i.e., in conjunction with an assignment to commercial rental agreements) can qualify as an activity capable of separate operation. Transfers of this type may constitute a Transfer of Activity that was not a Taxable Supply if all other conditions are met.
- Transfer of Shares
 - In cases where the transferor directly owns (share capital) and operates the activity in a separate legal entity, the transferee shall become an indirect owner of the activity by acquiring shares from the transferor in that separate legal entity.
 - The share sale will result only in the change of ownership of the separate legal entity and shall not affect the activity and operation of the separate legal entity.
 - During the share transfer, the underlying transferred assets will be retained as part of the transferred company and consequently the ownership shall not be changed for those assets. Therefore, a share sale cannot be considered a Transfer of an Activity.

Input VAT Deduction

- Deduction of VAT by the transferor
 - The transfer of assets shall not be subject to VAT when it is considered as the transfer of activity.
 - In such instances, the VAT treatment shall not be identified individually for the supply of goods and services.
 - Only proportionate value of the Input VAT shall be deductible based on the overall economic activity of the transferor with respect to the transfer of activity. In the case of an entire business transfer, the deductible cost shall be based on the taxable nature of the transferred business activity.
 - The transfer of assets shall be subject to VAT when it is not considered as the transfer of activity.
 - In such instances, the VAT treatment shall be identified individually for the supply of goods and services. Also in many cases, the sale of an individual activity asset shall be treated as a Taxable Supply.
 - The Input VAT shall be deducted as per the general rules for Input VAT deduction.

Deduction of VAT by the transferee

- In case of direct transfer from the transferor itself, the transferee may incur the cost of asset transfer as part of Taxable Supply.
- In case of acquisition of the activity through a third party, the transferee may incur the legal cost related to it.
- The Input VAT shall be deducted as per the general rules for Input VAT deduction.
- If the acquired activity's ongoing activities are taxable, the associated costs are likely to be deductible as an input VAT.

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

Should you need further clarification and details regarding this update, please contact GT Oman Tax Partner [Nasser Al-Mughairy](#), or Tax Director, [Deepika Rajan](#).



International Tax & Tax Treaty

GCC Tax Developments

UAE Manuals on Taxpayer Registration and Tax Period Changes

Step-by-step instructions for tax registration for Corporate Tax purposes via the EmaraTax portal can be found in a set of taxpayer user guides published by the UAE Federal Tax Authority (FTA).

- i. [Corporate Tax Registration - Taxpayer User Manual;](#)
- ii. [Corporate Tax Edit Registration - Taxpayer User Manual;](#)
- iii. [Corporate Tax Amend Registration - Taxpayer User Manual;](#)
- iv. [Corporate Tax De-Registration - Taxpayer User Manual.](#)

In addition to the registration manuals, the FTA has released a user guide called 'Change Corporate Tax Period - Taxpayer User Manual' that explains how to navigate the EmaraTax site and submit an application for a change in a taxpayer's corporate tax period. Please click [here](#) for your understanding.

Please do not hesitate to get in touch with our GT UAE Tax Leads, International Tax Partner – [Anuj R. Kapoor](#) and Corporate Tax Partner – [Sam Maycock](#) if you need any more details or clarifications.

Ministry of Finance (MoF) 'Digital Public Consultation' on UAE Corporate Tax in Free Zones to Enhance Business Collaboration and Support Strategic Goals

In an effort to actively engage with stakeholders and the business community, the Ministry of Finance launched the 'Digital Public Consultation' focusing on matters concerning the UAE Corporate Tax within Free Zones. The consultation platform was accessible from 19 July to 2 August 2023. The digital public consultation serves as a tangible manifestation of the Ministry's strong commitment in the value of soliciting input from key players in the business realm and other relevant stakeholders.

Recently, the Ministry of Finance extended the timeframe for receiving feedback and comments regarding the initiated public consultation paper. The extension enabled stakeholders to continue submitting their input through the Ministry's website until 9 August 2023.

Should you need any further clarifications and details regarding this information, please contact our Corporate Tax Team – Partner [Sam Maycock](#) or Director [Emma Bird](#).

Ministry of Finance (MoF) Grants Deadline Extension for UAE's Reporting Financial Institutions (RFI) to Submit CRS and FATCA Reports

The UAE Ministry of Finance communicated that there has been extension granted for the reporting deadline to the Reporting Financial Institutions (RFIs) operating within the United Arab Emirates (UAE). This extension pertains to the filing of their comprehensive CRS and FATCA Annual/Nil reports, now providing RFIs with the opportunity to submit the reports until the revised deadline of 15 August 2023 from existing deadline of 31 July 2023.

Further, it is imperative to acknowledge that amidst this timeline adjustment, an essential stipulation remains unchanged for financial institutions within the UAE. These institutions are mandated to ensure the submission of their risk assessment forms for the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) pertaining to the fiscal year 2022. This particular requirement necessitates adherence to the initial deadline of 31 July 2023.

For more information, please visit mof.gov.ae

Should you need any further clarifications and details regarding this information, please contact our International Team – Partner [Anuj R. Kapoor](#) and International Tax Manager [Siddharth Jain](#).

Ministry of Finance (MoF) Introduces Cabinet Decision No. 81 on the Additional Conditions of Qualifying Investment Funds under the Federal Decree-Law No. (47) of 2022 on the Taxation of Corporations and Businesses.

The Ministry of Finance announced [Cabinet Decision No. \(81\)](#) of 2023 regarding the additional conditions of Qualifying Investment Funds under the [Federal Decree-Law No. 47](#) of 2022 on the Taxation of Corporations and Businesses.

It stipulates additional conditions that investment funds must meet to be treated as a Qualifying Investment Fund and be exempt from Corporate Tax and it provides a definition for Investment Business which should be undertaken by the Qualifying Investment Fund. This decision strengthens the robustness of the corporate tax system and enhances the competitive position of the UAE as an investment hub.

An investment fund may apply to the tax authorities to be excluded from Corporate Tax as a Qualifying Investment Fund if all of the following requirements are met:

- a. The Investment Fund or the Investment Fund's Manager is regulated by a competent body in the UAE or a recognized overseas competent authority;
- b. Interests in the Investment Fund are traded on a recognized stock exchange, or are marketed and made available sufficiently widely to investors;
- c. The primary goal of the investment fund is not to avoid Corporate Tax;
- d. Any other conditions that may be prescribed in a decision issued by the Cabinet (which are stipulated by the cabinet decision as mentioned below).

Additional conditions for exempting investment funds from Corporate Tax:

- a. The investment fund must primarily engage in Investment Business activities, with ancillary or investment activities not exceeding 5% of its total annual revenue.

It should be noted that "investment business" for the purposes of the exemption is defined as the issuance of investment interests in order to raise funds, pool investor funds, or establish a joint investment fund in order to enable the holder of such an investment interest to benefit from the profits or gains resulting from the entity's acquisition, holding, management, or disposal of investments in accordance with UAE applicable legislation.

- b. Share of Ownership interests in the investment fund held by a single investor and its related parties should not exceed 30% or 50% depending on the number of investors in the investment fund.
- c. The fund must be under the supervision of an Investment Manager employing at least 3 investment experts, and investors should not have control over the fund's daily management.

Where Business or Business Activities of a resident Investment Manager are attributed to a resident investment fund, the associated income (attributed to the investment fund) shall be treated as follows:

- a. At the Investment Manager: The Taxable Income of the Investment Manager shall include the income attributed to the investment fund in accordance with Law (i.e. shall be taxed at the Investment Manager).
- b. At the Resident Investment Fund: Shall fall under the definition of the Investment Business Activities (i.e. exempt) if at least one of the below conditions is met:
 - To be subject to Corporate Tax in the State through the Investment Manager
 - To be undertaken by an Investment Manager that would meet the conditions under Clause (1) of Article (15) of the Corporate Tax Law, had the reference to the Non-Resident Person in that Clause been related to a Resident Person

To ensure the flexibility of the system, the diversity of the ownership criteria for investment funds other than Real Estate Investment Trusts (REITs) will be non-binding for the first 2 financial years of the fund's establishment, provided that the intent to diversify ownership is substantiated after the first two financial years.

REITs include the following exemption conditions the necessity for real estate assets excluding land, to exceed AED 100 Million in value.

- i. A minimum of 20% of share capital being publicly listed; or the ownership must be entirely directly held by two or more institutional investors, provided that at least two of those institutional investors are not Related Parties.
- ii. An average real estate asset percentage of at least 70% during the relevant 12-month financial period.

For more information, please visit [\[mof.gov.ae\]](https://mof.gov.ae).

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

Ministry of Finance (MoF) Introduces Cabinet Decision No. 75 on Administrative Penalties for Violations Related to the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses.

The release of [Cabinet Decision No. \(75\)](#) of 2023, regarding administrative penalties for violations related to the [Federal Decree-Law No. 47](#) of 2022 on the taxation of corporations and businesses defines the penalties that will be imposed for violations of the Corporate Tax law, effective as of 1 August 2023.

A comprehensive array of penalties awaits those who breach the Corporate Tax Law, including but not limited to failure to maintain the required records and other information as outlined in the Tax Procedures Law and the Corporate Tax Law; failure to submit the required tax-related information in Arabic when requested by the FTA; failure to file and pay the CT due within the specified deadlines and failure to apply for deregistration within the required timeframe, etc.

The Cabinet Decision also details the penalties relating to voluntary disclosures. For more information, please visit [\[mof.gov.ae\]](https://mof.gov.ae).

Should you need any further clarifications and details regarding this information, please contact our Corporate Tax Team – Partner [Sam Maycock](#) or Director [Emma Bird](#).

G20 Finance Ministers and Central Bank Governors Reaffirm Commitment to a Globally Fair, Sustainable, and Modern International Tax System

The G20 Finance Ministers and Central Bank Governors meeting, which took place in Gandhinagar, India, on 17 July and 18 July 2023, has been summarized and the results are documented in a paper from the G20 Chair. The summary and result document for taxation contains the following information:

- Continued cooperation towards a globally fair, sustainable and modern international tax system appropriate to the needs of the 21st century.
- Welcoming the delivery of a text of a Multilateral Convention (MLC) on Amount A, significant progress of work on Amount B and the completion of the work on the development of the Subject to Tax Rule (STTR) and its implementation framework that was set out in the July 2023 Outcome Statement of the OECD/G20 Inclusive Framework on BEPS (Inclusive Framework).
- Swiftly resolve the few pending issues relating to the MLC with a view to prepare the MLC for signature in the second half of 2023 and complete the work on Amount B by end of 2023 by calling upon an Inclusive Framework.
- Agreeing to steps taken by various countries to implement the Global Anti-Base Erosion (GloBE) Rules as a common approach.
- Understanding the need for coordinated efforts towards capacity building to implement the two-pillar international tax package effectively and in particular, welcome a plan for additional support and technical assistance for developing countries.
- Welcoming the launch of the pilot programme of the South Asia Academy in India for tax and financial crime investigation in collaboration with OECD.
- Note the Update on the Implementation of the 2021 Strategy on Unleashing the Potential of Automatic Exchange of Information for Developing Countries by the Global Forum on Transparency and Exchange of Information for Tax Purposes ("Global Forum").
- Call for the swift implementation of the Crypto-Asset Reporting Framework ("CARF") and amendments to the CRS. We ask the Global Forum to identify an appropriate and coordinated timeline to commence exchanges by relevant jurisdictions, noting the aspiration of a significant number of these jurisdictions to start CARF exchanges by 2027, and to report to our future meetings on the progress of its work.

- Note the OECD Report on Enhancing International Tax Transparency on Real Estate and the Global Forum Report on Facilitating the Use of Tax-Treaty-Exchanged Information for Non-Tax Purposes and, the discussions held at the G20 High-Level Tax Symposium on Combatting Tax Evasion, Corruption and Money Laundering.

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

GCC Tax Treaty Developments

Update on New Tax Treaty between Oman and Russia

On 8 June 2023, the Russian Ministry of Finance made an announcement regarding the signing of a fresh income tax treaty with Oman. Although a treaty was signed back in 2001, it was never ratified.

The treaty covers Oman income tax and Russian tax on profits of organizations and tax on income of individuals.

- a. **Residence:** If a person other than an individual is regarded as a resident of both Contracting States, the competent authorities will, by mutual agreement, determine that person's residence for the purposes of the Treaty, taking into account its place of effective management, its place of incorporation or other establishment, and any other pertinent factors. Unless the competent authorities of the Contracting States come to an agreement, such individual shall not be entitled to any tax relief or exemption given by the treaty, save to the amount and in the way specified by such authorities.
- b. **Service PE:** According to the treaty, a permanent establishment is considered to have been established when a business provides services inside a Contracting State using employees or other hired personnel for the same or a related project for a period or periods totaling more than six months within a 12-month period.
- c. **Withholding Tax Rates:**
 - Dividends - 10% if the beneficial owner is a company that has directly owned at least 20% of the paying company's capital for a period of at least 365 days ending on the date the dividends are declared; otherwise, 15%
 - Interest - 10%
 - Royalties - 10%
- d. **Capital Gains:** The following capital gains derived by a resident of one Contracting State may be taxed by the other State:
 - Gains from the alienation of immovable property situated in the other State;
 - Gains from the sale of moving goods that are a component of the assets of a permanent enterprise in another State; and

- Gains from the alienation of shares or comparable interests if at any time during the 365 days preceding the alienation, the shares or comparable interests derived at least 50% of the value directly or indirectly from immovable property situated in the other State, unless such shares or comparable interests are traded on a recognized stock exchange and the resident and persons related to that resident own in the aggregate 5% or less of the class of such shares or comparable interests.

Gains from the alienation of other property by a resident of a Contracting State may only be taxed by that State.

- e. **Double Taxation Relief:** Both countries apply the credit method for the elimination of double taxation.
- f. **Entitlement to Benefits:** According to Article 26 (Entitlement to Benefits), unless it is established that granting the benefit would be in accordance with the object and purpose of the treaty, a benefit under the treaty shall not be granted in respect of an item of income if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit.

The treaty will enter into force once the ratification instruments are exchanged and will apply from 1 January of the year following its entry into force.

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

Hungary Publishes MLI Synthesized Texts of Tax Treaties with Slovenia, South Korea, the UAE, Ukraine, the UK, and Uruguay

The tax treaties with Slovenia, South Korea, the United Arab Emirates, Ukraine, the United Kingdom, and Uruguay that are affected by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) have been summarized and published by Hungary's Ministry of Finance. The reservations and notifications (MLI positions) provided by the relevant nations served as the basis for the creation of the synthesized texts. The tax treaties' and the MLI's actual legal contents are what matter and continue to be the ones that apply.

The MLI applies for the following:

- i. [2004 Hungary-Slovenia tax treaty](#)
- ii. [1989 Hungary-South Korea tax treaty](#)
- iii. [2013 Hungary-United Arab Emirates tax treaty](#)
- iv. [1995 Hungary-Ukraine tax treaty](#)
- v. [2011 Hungary-United Kingdom tax treaty](#)
- vi. [1988 Hungary-Uruguay tax treaty](#)
 - with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after 1 January 2022; and
 - with respect to all other taxes, for taxes levied with respect to taxable periods beginning on or after 1 January 2022.

Please click [here](#) for additional information on the tax treaty, which includes the MLI synthesised documents.

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

Tax Treaty between Kazakhstan and Kuwait Under Negotiation

On 8 August 2023, representatives from Kazakhstan and Kuwait ended a round of discussions for an income and capital tax treaty and decided to convene another session to settle the treaty's remaining clauses. The agreement, which will be unique to the two nations, must be negotiated, signed, and ratified before it can go into effect.

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

Hungary Publishes MLI Synthesized Texts of Tax Treaties with Portugal, Qatar, Russia, San Marino, Saudi Arabia, Serbia, Singapore, the Slovak Republic, Lithuania, Luxembourg, Malaysia, Malta, Netherlands, Oman, Pakistan, and Poland

The tax treaties with Portugal, Qatar, Russia, San Marino, Saudi Arabia, Serbia, Singapore, and the Slovak Republic that are impacted by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) have been summarised and published by Hungary's Ministry of Finance. The reservations and notifications (MLI positions) provided by the relevant nations served as the basis for the creation of the synthesised texts. The tax treaties' and the MLI's actual legal contents are what matter and continue to be the ones that apply.

The MLI applies for the following:

- I. [1995 Hungary-Portugal tax treaty](#)
- II. [2012 Hungary-Qatar tax treaty](#)
- III. [1994 Hungary-Russia tax treaty](#)
- IV. [2009 Hungary-San Marino tax treaty](#)
- V. [2014 Hungary-Saudi Arabia tax treaty](#)
- VI. [2001 Hungary-Serbia tax treaty](#)
- VII. [1997 Hungary-Singapore tax treaty](#)
- VIII. [1994 Hungary-Slovak Republic tax treaty](#)
- IX. [2004 Hungary-Lithuania tax treaty](#)
- X. [2015 Hungary-Luxembourg tax treaty](#)
- XI. [1989 Hungary-Malaysia tax treaty](#)
- XII. [1991 Hungary-Malta tax treaty](#)
- XIII. [1986 Hungary-Netherlands tax treaty](#)
- XIV. [2016 Hungary-Oman tax treaty](#)
- XV. [1992 Hungary-Poland tax treaty](#)

- with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after 1 January 2022; and
- with respect to all other taxes, for taxes levied with respect to taxable periods beginning on or after 1 January 2022.

The MLI applies for the [1992 Hungary-Pakistan tax treaty](#):

In Hungary:

- with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after 1 January 2022; and
- with respect to all other taxes, for taxes levied with respect to taxable periods beginning on or after 1 January 2022;

In Pakistan:

- with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after the first day of the taxable period that begins on or after 1 July 2021; and
- with respect to all other taxes, for taxes levied with respect to taxable periods beginning on or after 1 January 2022.

Please click [here](#) for additional information on the tax treaty, which includes the MLI synthesized documents.

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

Barbados Updates CbC Report Exchange Relationships

A list of the jurisdictions with which Barbados has an exchange relationship under the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports (CbC MCAA) and, with which Barbados intends to have an exchange relationship for the exchange of Country-by-Country (CbC) reports as of 3 May 2023 can be found in Guidance Note PPG No. 04/2023, which was just released by the Barbados Revenue Authority.

The revised list now includes 69 countries that have activated exchange links with Barbados, including Austria, Azerbaijan, Hungary, Liechtenstein, Oman, and Russia. With 91 total jurisdictions, Barbados still hopes to establish an exchange connection with them.

The United States, which is not indicated as having an intended or active exchange connection with Barbados, is also included on the list. This is so that Barbados can negotiate a bilateral qualifying competent authority agreement to ease the sharing of CbC reports since the United States is not a party to the CbC MCAA. According to the [IRS CbC Reporting Jurisdiction Status Table](#), negotiations with Barbados have not begun.

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

Oman's Consultative Assembly Approves Signing of Tax Treaty with Kazakhstan

The signing of an income and capital tax treaty with Kazakhstan was authorized by the Consultative Assembly of Oman (the lower house of the Council of Oman, the country's parliament) on 18 July 2023. The agreement, which will be the first of its type between the two nations, needs to be signed and confirmed in order to become effective. Once they are accessible, the treaty's specifics will be disclosed.

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

Egyptian Parliament Approves Pending Tax Treaty with Qatar

The pending income tax agreement with Qatar was ratified on 11 July 2023, by the Egyptian parliament. The first of its sort between the two nations, the treaty was signed on 27 February 2023, and it will go into effect after the ratification instruments have been exchanged.

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



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