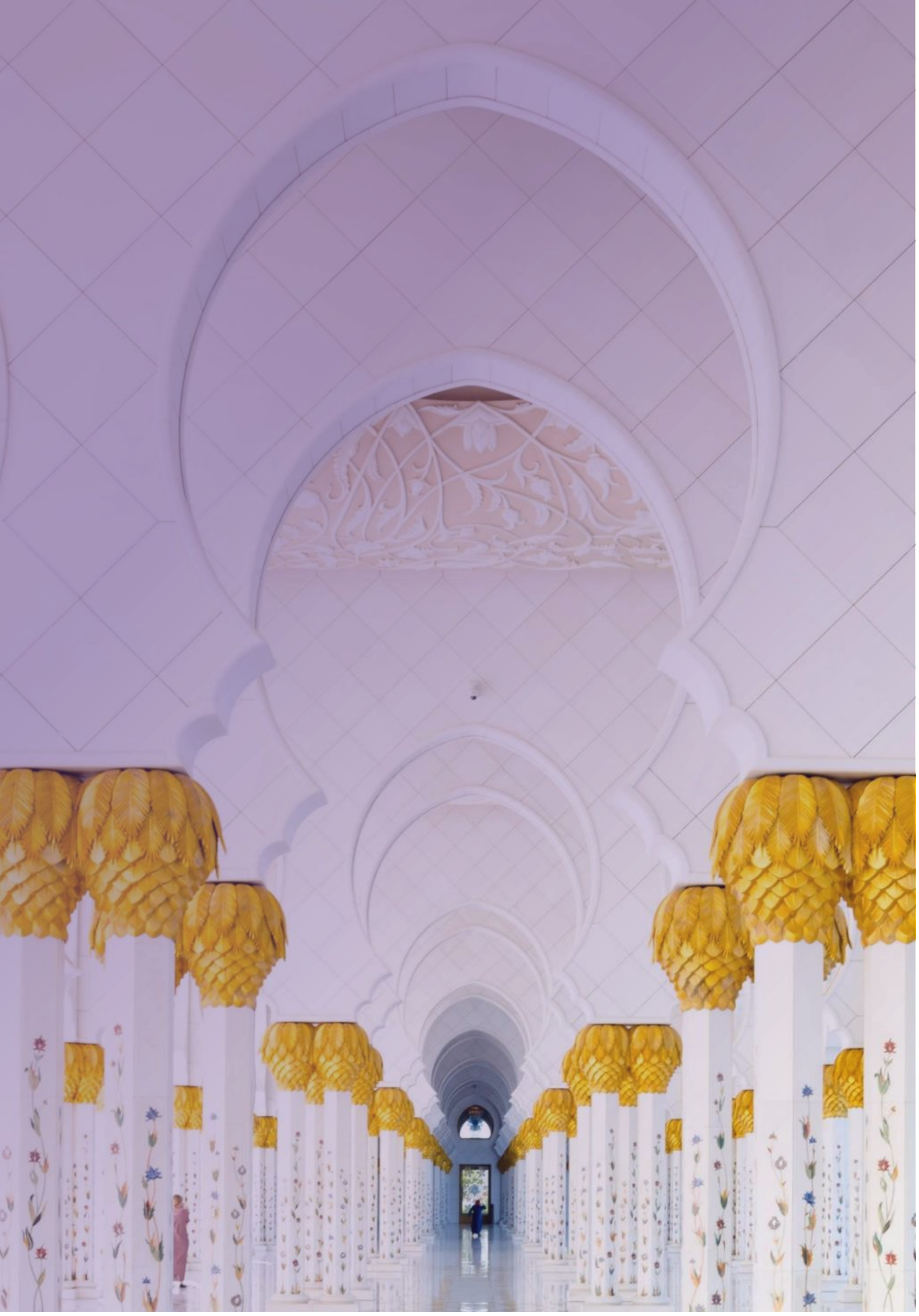

Tax Newsletter

April 2021

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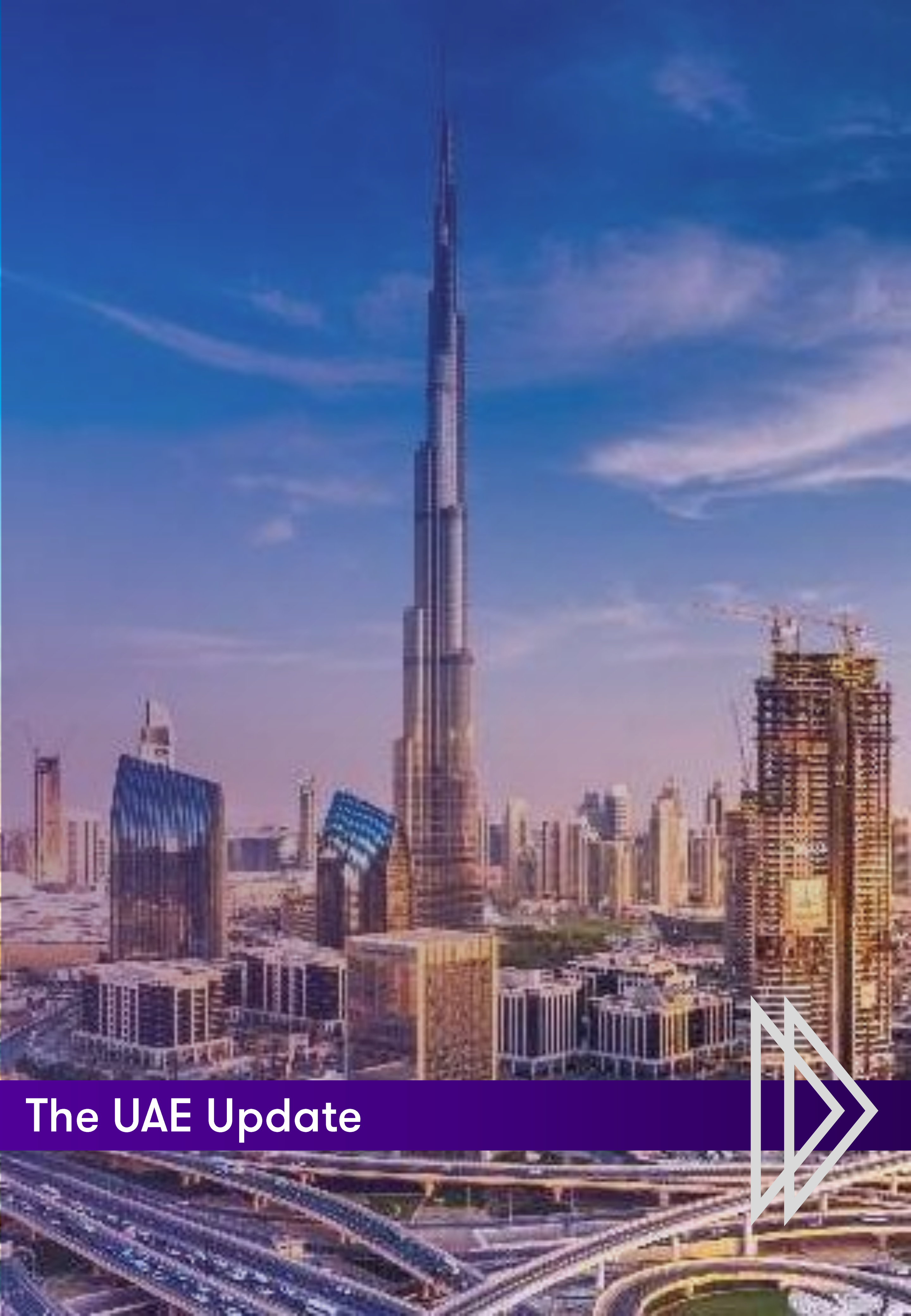
Landscape

In our April edition of GT's Tax Newsletter, you can explore the latest updates affecting Indirect Tax, International Tax, and Transfer Pricing in the UAE and across the Middle East region



The UAE Update

INDIRECT TAX

1. VAT in UAE

Federal Tax Authority (FTA) Extends Temporary Zero-Rating of Medical Equipment Until 31st December 2021

In December last year, the FTA had issued Cabinet Decision No. (9/12 O) of 2020 to temporarily zero-rate certain supplies and imports of medical equipment. This meant a supply or import of certain medical equipment shall be zero-rated where the supply or import occurs within 6 months from the effective date of the Cabinet Decision. i.e. from 1st September 2020 up to the 28th of February 2021.

The FTA has now released a Public Clarification to extend this period to 31st December 2021 instead of the earlier period, 28th February 2021.

The clarification also replicates the following points from the previous decision that was released in December 2020:

i. A supply can be zero-rated where the date of supply and delivery of medical equipment falls within the period from 1st September 2020 to 31st December 2021.

ii. An import shall be zero-rated when the medical equipment is imported during the period from 1st September 2020 to 31st December 2021.

iii. If the date of supply or date of import or the date on which the medical equipment is delivered to the recipient or placed at the recipient's disposal, falls outside the period from 1st September 2020 to 31st December 2021, the supply of medical equipment shall be subject to VAT at 5%, which should be reported in the VAT return.

iv. The rules apply retrospectively from 1st September 2020 and in cases wherein VAT was charged at 5% on a supply eligible for zero-rating, such supplier should issue and deliver a Tax credit note to the recipient for a refund of VAT charged on the supply. However, where the supplier is unable to identify the recipient of the supply to issue a Tax Credit Note (in case of B2C), the supplier should ensure that the VAT collected is reported in the VAT return and paid to the FTA.

v. The "medical equipment" to which the temporary zero-rating rules apply are personal protective equipment ('PPE') used for protection from Covid-19, and include the following:

- Medical face masks that are not included in the Cabinet Decision No. 56 of 2017 on Medications and Medical Equipment Subject to VAT at zero-rate.
- Half filtered face mask (UAE.S EN 149).

- Non-Medical "community" face mask made from textile (UAE.S 1956).

- Single-use gloves (UAE.S ISO 374-2). And

- Chemical disinfectants and antiseptics intended for use on the human body, but excluding detergents, cosmetics, and personal care products (UAE.S EN 1276, EN 1650, and EN 14476:2013+A2)

The clarification can be accessed here

Based on the above clarification, the suppliers engaged in the supply or import of medical equipment should not only assess the correct VAT treatment but should also mention it correctly in the VAT return.

Federal Tax Authority Releases Clarification on Bad Debt Relief

The FTA has released a clarification on availing of bad debt relief.

As per the VAT law, a taxpayer can adjust bad debts in the VAT return and claim the bad debt relief if all of the following conditions are satisfied:

- If goods/ services have been supplied and output VAT has been paid on it.

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- Six months have passed since the date of supply; and

- The customer should have been notified of the amount being written off

The clarification explains each of the above conditions including the ways to notify the customer by letter, email, post, or any other similar communication, and the contents of the notification which should be as follows:

- Invoice number and date of the tax invoice which has not been paid by the customer

- Amount of consideration written off.

The adjustment must be made in the "adjustment column" of Box 1 of the VAT Return.

Taxpayers should take advantage of this relief to improve cash flow.

The clarification can be downloaded from here

Period to Claim a VAT Refund on the New Residence of a UAE National Extended to 12 Months

By way of Cabinet Decision No. 24, the FTA has extended the period of claiming input VAT credit the residence of a UAE national from 6 months to 12 months.

A UAE national can recover input VAT on the construction of his primary residence subject to satisfaction of certain conditions. To claim VAT refund, a UAE national must apply for the refund within 12 months from the date of completion of the newly built residence.

The extension grants UAE nationals ample time to claim input VAT on their residences on time.

The updated regulations can be accessed here

FTA Releases Templates for Turnover Declaration While Applying for VAT Deregistration

A taxpayer is required to declare the turnover while applying for VAT deregistration. For this purpose, the FTA has released a template that must be filled, stamped, signed, and printed on the letterhead of the taxpayer before submitting it along with the deregistration application.

The template can be downloaded here

2. UAE Customs

Free Zone Companies to be Exempted from a Service Fee on Certain Customs Declaration

Effective from 1st of April 2021, the Dubai customs has exempted free zone companies from service fee for customs deposit refund claims for goods with value not exceeding AED 3,000. The exemption is available for the following declarations:

- Free zone transit out declaration
- Transit between Dubai based free zones

The refund claims must be submitted at the Dubai customs portal.

The announcement can be accessed here

Dubai Customs Updates on Deadline to Submit Customs Declaration and Other Required Documents

As a part of the Dubai precautionary measures to curb the spread of COVID-19, the Dubai Customs had previously announced in May 2020, temporary suspension of submission of Customs declarations and required documents.

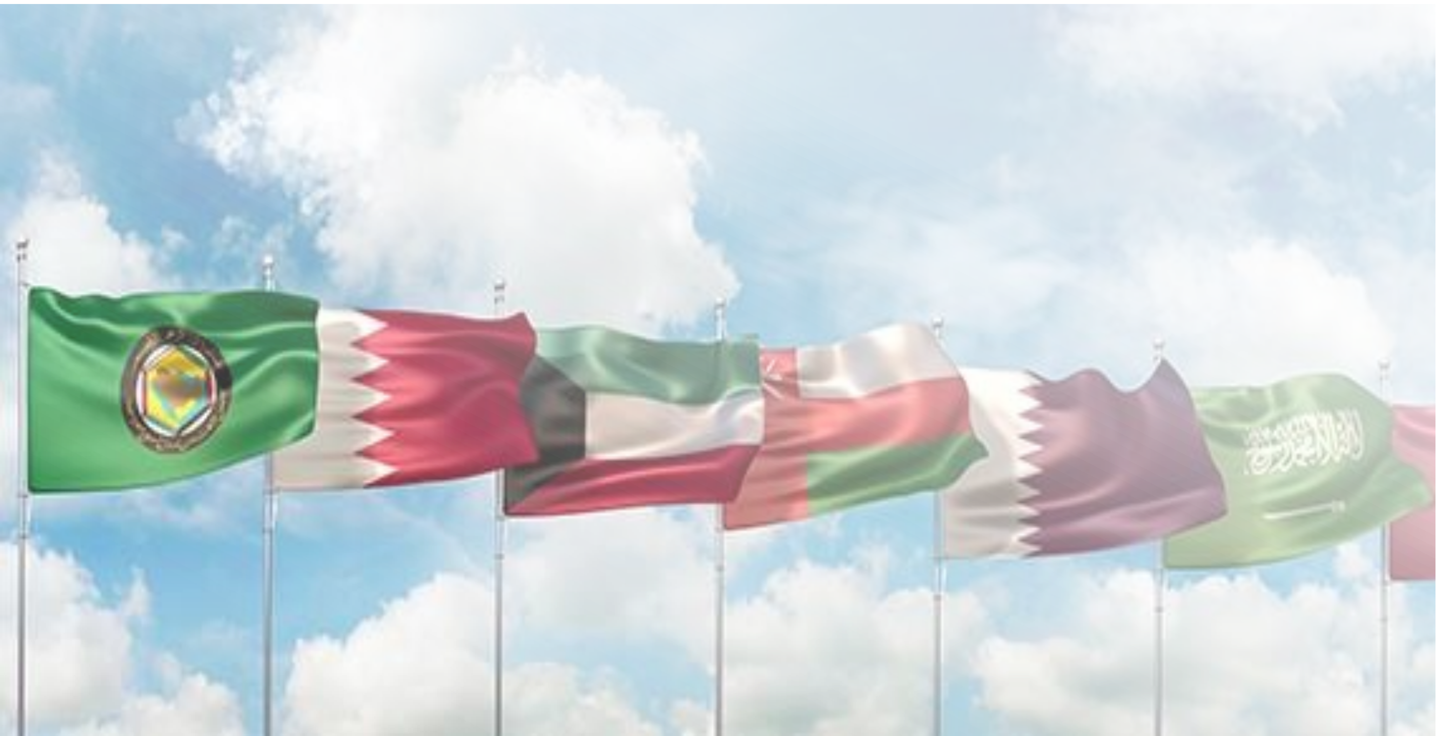
In January 2021, Dubai Customs reinstated submission of the customs declaration and all previously unsubmitted documents need to be submitted by 30th June 2021.

However, all documents completed during the period 1st February 2021 to 30th June 2021 can be submitted by 30th September 2021.

Failure to submit the documents on time will result in a daily fee of AED 5 being charged provided that the total period for submitting the Customs declarations and required documents does not exceed 90 days from the relevant deadline starting 1st July 2021.

The announcement can be accessed here

The GCC Update



INDIRECT TAX

1. VAT

Phase II of VAT Registration Begins in Oman

The VAT registration in Oman is divided into four phases based on the supplies made by a natural or legal person. The first phase concluded on the 15th of March 2021.

The second phase of registration for businesses or an individual whose total supplies exceeded OMR 5,00,000 but less than OMR 1,000,000 began on the 1st of April 2021. The deadline for obtaining the registration under phase II is 31st of May 2021 with an effective date of 1st July 2021.

To know more about the steps to register your business, please click here

Grant Thornton can assist you in analysing your business requirements and provide insights on the applicability of VAT. Should you need further clarification and details regarding this update, please contact our Tax Director Harsh Bhatia.

General Authority for Zakat and Tax (GAZT) Issues Draft E-Invoicing Rules

As per the rules, an electronic VAT invoice needs to be issued electronically by every taxpayer who is subject to value-added tax in KSA, for all taxable supplies made by the person. A period of 12 months has been granted to taxpayers from the date of publication of the regulations i.e. from 4th December 2020 to 4th December 2021 to implement e-invoicing in their business.

To help ease the transition, GAZT has released a draft of controls, requirements and technical specifications, and procedural rules for implementing E-invoicing regulations.

The rules state that all e-invoices and e-notes are to be generated in a format that covers all particulars mentioned in the KSA VAT Regulations. The format must be in XML format or PDF/A-3 and must contain a cryptographic stamp. All taxpayers must integrate their systems with GAZT's systems by using an Application Programming Interface 'API'

The unofficial translation of the Regulations can be accessed here

The technical specification can be found as follows:

Electronic invoice data dictionary

Electronic invoice XML implementation standard

Electronic invoice security implementation standards

2. GCC Tax Treaty Development

Tax Treaty Between Iraq and Saudi Arabia Signed

On 31 March 2021, the Government of Iraq announced the signing of a tax treaty with Saudi Arabia. The treaty is the first of its kind between the two countries and will enter into force after the ratification instruments are exchanged.

The double tax treaty aims to further develop economic relationships, boost trade and investment flows between the two countries, and to conclude a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes.

Tax Treaty Between Qatar and Democratic Republic of Congo Signed

On 29 March 2021, Qatar and the Democratic Republic of Congo signed an income tax treaty. The treaty is the first of its kind between the two countries and will enter into force after the ratification instruments are exchanged.

Amending Protocol to Tax Treaty Between Kuwait and Luxembourg Signed

On 25 March 2021, the Ministry of Finance of Luxembourg announced the signing of an amending protocol to the pending 2007 income and capital tax treaty with Kuwait. The protocol amends the treaty to bring it in line with minimum BEPS standards and the standards for information exchange. Both the protocol and the treaty will enter into force once the ratification instruments are exchanged.

Grant Thornton can assist you with International Tax and Transfer Pricing requirements for your business.

Please reach out to our Tax experts:

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International Tax & Transfer Pricing

Qatar Extends the Deadline for the Transfer Pricing Disclosure Form

Qatar's General Tax Authority ("GTA") released Circular No. 1 of 2021 on the 24 March which provided a two-month extension for the filing of the Qatar Corporate Income tax return for the year ended 31 December 2020. The new deadline is 30 June 2021 for the filing of the corporate income tax returns and payment of any corporate tax liability due. The extension does not apply to companies operating in the petroleum or petrochemicals industries.

As the Transfer Pricing ("TP") disclosure form is part of the tax return, the Disclosure form is therefore also extended in line with the corporate income tax extension. The disclosure form is required to be completed by all Qatar taxpayers who breach specified thresholds, either the total value of assets or total revenue is above QAR 10 million. In the disclosure form, taxpayers are required to provide the main activities of the business, major intangibles, and details on their related party transactions including the OECD TP methods used. In addition, Taxpayers whose total revenues or assets exceed QAR 50 million (USD 13.67 million) and with at least one group member outside Qatar are required to submit (in addition to the disclosure form) a group Master File and Local file to the GTA by 30 June, i.e. within six months from the end the concerned taxable year.

It is expected that the GTA will use the information supplied in the disclosure form as a risk assessment tool, in order to assist with identifying Qatar taxpayers who may not be pricing their related party transactions in accordance with arm's length.

The UAE and Bahrain Begin to Share the Results of Economic Substance Reports with Other Competent Authorities / Tax Authorities

During March 2021, twelve no or only nominal tax jurisdictions began their first tax information exchanges under the Forum on Harmful Tax Practice's ("FHTP") global standard on substantial activities. The standard ensures that mobile business income can no longer be parked in a low tax jurisdiction without the core business functions being carried out from that jurisdiction and that the countries where the parent entities and beneficial owners are tax resident get access through regular exchanges of information.

The twelve countries exchanging information are: Anguilla, Bahamas, Bahrain, Barbados, Bermuda, British Virgin Islands (BVI), Cayman Islands, Guernsey, Isle of Man, Jersey, Turks and Caicos Islands, and the UAE.

The exchange of information will be an annual process and will cover information such as the identity, activities and ownership chain of entities established in no or only nominal tax jurisdictions that are either non-compliant with substance requirements or engage in intellectual property or other high-risk activities.

The FHTP will monitor both the legal and practical implementation of the standard by no or only nominal tax jurisdiction through a rigorous, annual peer review process under Action 5 of the OECD/G20 Inclusive Framework on BEPS. The next annual results will be released in December 2021.

The exchanges of information will enable receiving tax administrations to carry out risk assessments and to apply their controlled-foreign company, transfer pricing and other anti-base erosion and profit shifting provisions.

The Kingdom of Saudi Arabia Has Introduced Its First Special Economic Zone

The General Authority of Civil Aviation ("GACA") in KSA has launched the Integrated Logistics Bonded Zone (ILBZ). ILBZ is Saudi Arabia's first integrated logistics zone in Riyadh and the inaugural project in a series of planned special logistics zones aimed at making Riyadh one of the 10 largest city economies in the world. ILBZ will also be supporting wider efforts to make KSA a globally competitive transportation and logistics hub for the movement of goods and services around the world, within a progressive business-friendly environment.

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ILBZ is a 3 million-square-meter zone which is strategically located to serve more than 650 million customers across Africa, Asia and Europe, linking them through King Khalid International Airport as well as the domestic and regional markets via the Saudi Land-Bridge Railway crossing Riyadh, and dry ports surrounding King Khalid International Airport.

The zone will offer aviation facilities, cargo handling, government-sponsored training programs and advanced cargo-tracking technology, alongside a Government Services Office in the ILBZ to serve as a one-stop-shop to obtain any government services for the investors.

ILBZ will offer incentives to companies to establish operations at its site adjacent to the international airport in Riyadh, including:

- A 50 year tax holiday to include VAT suspension while under customs suspension.
- Zero-rated corporate, income and withholding tax on certain payments.
- 100% business ownership.
- 100% suspension of customs and import restrictions: and
- No restrictions on capital repatriation.

The GACA has published detailed regulations and guidance for operating in the ILBZ. The regulations cover company regulations, employment regulations, guidance of implementing the ILBZ regulations and tax rules.

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Want to know more? The Tax Team at Grant Thornton UAE aims to provide you with updates regarding the latest developments in Tax within the Gulf region.

For more details with respect to this alert or queries on other Tax issues, please contact the following in-country GT Tax leaders, whose details are given below.

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