



Tax Newsletter

April 2022 Edition



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Landscape

In our April edition of GT's Monthly Tax Newsletter, you can read the latest news 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

The Federal Tax Authority (FTA) Publishes A User Guide on Raqeeb: “Whistle Blower Program for Tax Violations and Evasion

The FTA has published a user guide, USEGWB001, on Raqeeb: Whistle Blower Program for Tax Violations and Evasion. This user guide reinforces the enthusiastic efforts of the FTA in maintaining decorum in VAT compliance and its commitment to creating a transparent market.

The guide delves into the topic of whistleblowing in-depth and enlightens on the meaning and the purpose of whistleblowing, who an informant is, eligible “leads”, monetary rewards, eligibility for monetary rewards, the process of whistleblowing application, etc.

Whistleblowing is the mechanism introduced for enforcing VAT Compliance. This includes receiving and processing leads of the non-compliance of natural or legal persons with the remit of the VAT legislation, as well as offering monetary rewards to informants when certain conditions are met.

These leads include and relate to suspected tax evasion and suspected non-compliance with VAT laws and procedures. Such leads are provided to the FTA by ‘Informants’ and comprise of:

- a. Individuals who inform the FTA about natural or legal persons who might be conducting illegal tax activities and do not fulfill the tax obligations;

- b. Their identity will be known to the FTA and will remain protected due to the confidentiality of the NDA signed between the parties. This NDA will ensure the protection of any confidential and sensitive information including information on monetary rewards; and
- c. The term “informant” excludes FTA employees and their relatives up to the fourth degree of consanguinity, as well as other persons who obtained information through their position in or connections with the FTA.

Eligible leads will result in monetary rewards. The reward is directly proportional to the amount of VAT collected by the FTA and the FTA will deposit such rewards into the informant’s bank account after the matter is investigated and the relevant tax is collected from the reported person.

The eligibility for monetary rewards occurs only when the following conditions are met:

- a. The provided information is credible, accurate, and has not been obtained previously by the FTA;
- b. The whistleblowing form is filled out accurately, completely, and sufficiently;
- c. The FTA collected VAT amounts that exceed AED 50,000; and
- d. The reported person exhausted all forms of objections and appeals.

Further, the guide explains the whistleblowing application process as follows:

- a. A whistleblowing form should be submitted by the informant through the FTA portal which includes information about both the informant and the reported person;
- b. The FTA will evaluate the lead and decide to either close it or continue to audit the case, based on the information provided by the informant once the whistleblowing form is filled in and submitted;
- c. The FTA may request further information from the informant regarding the case. If the whistleblowing form is eligible for monetary rewards, the informant will receive an email to provide further information, such as bank details.

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

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

VAT Refund for Business Visitors in the UAE to be Availed by Qualifying Non-UAE Businesses for the Calendar Year 2021

Qualifying non-UAE businesses may submit VAT Refund applications to the FTA from 1 March 2022 to 31 August 2022 for the foreign business visitors scheme.

Those qualifying non-UAE businesses, whose refund of VAT on expenses in the UAE during the calendar year 2021, exceed AED 2,000 may apply for the scheme, provided that the non-UAE resident business:

- a. Does not have a VAT registration in the UAE;
- b. Does not carry on business in the UAE;
- c. Be registered as an establishment with a competent authority in the jurisdiction in which they are established.

The following are the situations in which the business becomes ineligible to claim the VAT Refund:

- a. The business makes supplies in the UAE (unless the recipient is obligated to account for the VAT due);
- b. The input tax incurred is of a type which is irrecoverable by VAT registrants in the UAE (e.g. entertainment expenditure);
- c. The business is not from one of the eligible countries listed by the FTA; or
- d. The business is a non-resident tour operator.

Further, the guide also shares a list of countries, to which if the business belongs, the refund claims will be eligible for consideration. Isle of Man, New Zealand, Zimbabwe etc. are among these listed countries. An inevitable and the most vital part of a refund process is the supporting documentation. This includes documentations such as:

- a. Original tax compliance certificate;
- b. Original tax invoices;
- c. Duly stamped proof of payment for all tax invoices claimed;
- d. Proof of authority of authorized signatory; or
- e. Passport copy of authorized signatory.

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

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

The GCC Update



INDIRECT TAX

1. VAT

Bahrain – The National Bureau for Revenue (NBR) Unveils the Digital Scheme for Cigarette Products

The NBR introduces the Digital Stamps Scheme for cigarette products to protect consumers against counterfeit and illegal trade. These stamps contain security features and codes which enable the tracking of the excise goods from manufacturing up to the point of consumption.

The “Digital Stamps” Scheme operates by scanning the stamp placed on excise goods at entry points to the Kingdom of Bahrain to ensure their authenticity. The first stage of the Digital Stamp scheme will focus on cigarette products. The implementation of the scheme will occur in three stages:

- a. The first phase started with receiving Digital Stamp orders as of March 11, 2022, from Excise payers registered with the NBR.
- b. The second phase includes the implementation of the scheme on all imported products through customs clearance, where all imported cigarette products that arrive in the Kingdom must have a digital stamp placed.
- c. The final stage will involve implementation in local markets, where no cigarette product can be traded without a digital stamp. In this phase, any cigarette product that does not have a digital stamp will be returned through the relevant supply chain to be destroyed or moved for sale outside the territories of the Kingdom of Bahrain.

The NBR held two virtual introductory workshops in this regard to create awareness and raise stakeholder readiness. The workshops were attended by cigarette importers and manufacturers and were held in cooperation with “De La Rue”, a leading corporation in the Digital Stamp industry worldwide.

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

Should you need further clarification and details regarding this update, please contact our VAT Associate Director [Sunny Kachalia](#).

Oman – Oman Tax Authority (OTA) Issues VAT Guidelines on Profit Margin Mechanism

The OTA has issued VAT Guidelines on Profit Margin Mechanism in Arabic.

The guide discusses the ‘notified used goods’ which fall under the Profit Margin Mechanism as well as the conditions under the scheme and the related calculations.

The guide lists the below mandatory conditions to be fulfilled to claim the benefits under the Profit Margin Mechanism:

- a. The activity of buying or selling used goods is within the scope of the taxable person's usual activity;
- b. Obtaining approval from the authority to use the profit margin mechanism to calculate the VAT on the form prepared for such purposes;
- c. The used goods are located in the Sultanate;

- a. Purchase of used goods from any of the following persons:
- Non-taxable person in the Sultanate,
 - A taxable person who calculated the VAT on these used goods according to the profit margin mechanism under the authority's approval,
 - A taxable person who is not allowed to deduct input tax on these goods according to the provisions of law and regulations.

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

Should you need further clarification and details regarding this update, please contact our VAT Associate Director [Sunny Kachalia](#).

Oman – Oman Tax Authority (OTA) Issues A Transport Manual (First Edition) on the VAT Treatment

The OTA has recently issued VAT Guidelines on Transport Manual (First Edition) in Arabic.

The guide focuses on the VAT Treatment of transactions pertaining to the Transport sector and provides detailed VAT Treatment explanation on the following:

- a. VAT treatment of passenger transport services.
- b. Scope of international transportation of passenger and services related to international passenger transportation.
- c. VAT treatment of goods transport services.
- d. Scope of international transportation of goods and services related to international goods transportation.
- e. VAT treatment of supply of means of the transport and goods and services related to supply of means of transport.

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

Should you need further clarification and details regarding this update, please contact our VAT Associate Director [Sunny Kachalia](#).

A vintage map of Europe is shown, with a metal ruler and a pushpin placed on it. The map is aged and has a yellowish tint. The ruler is positioned diagonally across the map, and the pushpin is pinned to the top left corner. The text "International Tax & Tax Treaty" is overlaid on the map in a large, white, sans-serif font.

International Tax & Tax Treaty

Release of Public Consultation Document on UAE Corporate Tax

On 28 April 2022, the Ministry of Finance (MoF) of the UAE released its public consultation document on the prospective UAE Corporate Tax (CT) regime. The public consultation document, which does not reflect the final view of the UAE Government nor comprehensively addresses all possible aspects of the proposed UAE CT regime, provides information on the prospective UAE CT regime, and seeks views from interested parties on its main features and implementation.

The public consultation document covers several key features including, but not limited to:

- Guidance on taxable and exempt persons, basis of taxation, definition of tax residency, and applicability to UAE Permanent Establishments (PEs) of non-residents;
- Further clarity on the tax treatment of free zone entities, including non-deductibility of payments made by mainland UAE entities to free zone entities for UAE CT purposes;
- Prospective introduction of OECD recommended Local file and Master file transfer pricing (TP) documentation requirements and the possibility of TP-specific disclosure form requirement, as well as the applicability of the prospective TP rules to both cross-border and domestic related party transactions;
- Definition of related parties, introduction of the concept of **“connected persons”**, and applicability of TP rules to payments or benefits provided by a business to its connected persons;

- Proposed interest capping rules, capping the amount of deductible net interest expense to 30% of earnings before interest, tax, depreciation, and amortisation (EBITDA), as adjusted for CT purposes;
- Capping of offset of loss incurred in one period against the taxable income of future periods, up to a maximum of 75% of the taxable income in each of the future periods; and
- Administrative guidance, including instruction on registration and deregistration, self-assessment and calculating CT payable, as well as filing of CT return and payment of CT liability within nine (9) months of the tax period.

The release of the public consultation document, which follows the MoF's announcement, on 31 January 2022, of the introduction of a federal CT on business profits effective for financial years starting on or after 1 June 2023, demonstrates the UAE Government's commitment to implementing a CT regime that is compatible with the UAE's business environment.

The MoF welcomes comments from interested parties on the public consultation document, which can be assessed [here](#), by 19 May 2022. The UAE CT public consultation document has been released in advance of the finalisation of the technical details and other specifics of the relevant UAE CT legislation on the basis that it is without prejudice to the final UAE CT regime.

Should you need further clarification and details regarding this update, please contact our International Tax team – Partner [Anuj Kapoor](#), Senior Manager [Amisha Anil](#).

Publication of Guidelines on Country-by-Country Reporting in Oman

In March 2022 the Sultanate of Oman Tax Authority (OTA) published Guidelines on Country-by-Country (CbC) Reporting (CbCR) (the “Omani CbCR Guidelines” or the “Guidelines”), providing detailed guidance and clarifications to assist taxpayers with their Omani CbCR obligation.

Introduced with effect from financial reporting periods starting from 1 January 2020, Omani CbCR requirements comprise of CbC Report and CbC Notification submission elements and are applicable to all Oman tax resident multinational enterprise (MNE) groups with consolidated group revenue equal to or exceeding OMR300 million in the previous financial year.

The Omani CbCR Guidelines provide general guidance to taxpayers on the preparation of the CbC Report, including definitions of data sources, currency, and year of data to be included in the CbC Report. In addition, the Guidelines provide specific guidance, including clarification, on the content (quantitative and qualitative information) to be presented in each of the tables that make up the CbC Report (Table 1, Table 2, and Table 3).

Furthermore, the Omani CbCR Guidelines provide taxpayers with illustrative guidance of the usage of the OTA’s Automatic Exchange of Information (AEOI) portal, which is required for the enrollment and filing of the CbC Report and CbC Notification. The Guidelines provide taxpayers with illustrative description, including snapshots of the AEOI portal, on the process of completing an enrollment request (including the required documentation), and the steps, as well as the information, required to create and complete filings of the CbC Report and CbC Notification on the AEOI portal.

The Omani CbCR Guidelines can be assessed [here](#).

Should you need further clarification and details regarding this update, please contact our International Tax team – Partner [Anuj Kapoor](#), Manager [Oluwaseyi Abimbola](#).

Guidelines on Objections to Tax Assessments in Saudi Arabia

In February 2022 the Zakat, Tax and Customs Authority (ZATCA) has issued a detailed guide clarifying the process to file an objection against a tax assessment raised by ZATCA in case taxpayers disagree with such a decision.

The tax legislation provides a right to the taxpayer to formally object to ZATCA’s decisions within the statutory timelines i.e., within 60 days from the date of notification of the decision. This period starts from the date of decision issuance, and each day following the date of issuance, including holidays and official holidays, which would be counted for this purpose.

- a) How to file an objection ZATCA has provided different electronic means to submit an objection:
 - Electronically, through the ZATCA ERAD portal, and,
 - By filing your objection via e-mail (ZATCA has not yet provided a tracking process for this mode).
- b) What information should an objection include?
 - When the objection is submitted through the electronic portal, the portal will provide the taxpayer with a list stating all required data.

- The taxpayer should complete the necessary information and attach the required documents. When additional information is needed, the authority will request that separately from the taxpayer.

c) Payment or guarantee to be provided

- The taxpayer will be required to pay part of the VAT assessment amount which is subject to an objection process. This payable amount should not be less than ten percent (10%) and not more than (25%) of the VAT assessment amount, or
- The taxpayer will be required to provide a bank guarantee of not less than fifty percent (50%) of the VAT assessed amount.

The guide also includes an illustrative outline of the objection / appeal procedure and its timeframe for the convenience of the taxpayers.

The guide can be assessed [here](#).

Should you need further clarification and details regarding this update, please contact our International Tax team – Partner

Anuj Kapoor, Senior Manager **Tamer El Khatib**.

Initiation of Tax Audits in Qatar

According to the Income Tax Law No. 24 of 2018 and its Executive Regulations (Income Tax Law), the General Tax Authority (GTA) has the right to conduct tax audits (audits) and field inspections at taxpayers' places of business and review their tax returns, activities, information systems and databases, accounting records, and financial information. To initiate such audits, the GTA is required to notify the taxpayer of its selection for audit at least 15 days prior to the date of commencing the audit, along with informing the taxpayer of the starting date and the period under audit.

Although similar provisions existed under the Income Tax Law No. 21 of 2009, we did not observe the GTA carrying out field inspections historically. Recently, we have observed that the GTA has started to issue notifications to taxpayers through their Dhareeba accounts informing them of their selection for field inspections.

In the notifications, the GTA has highlighted to taxpayers that they will be contacted by an officer of the GTA soon, in addition to highlighting the following:

- Tax period under audit
- Tax type under audit
- Date of commencement of the audit
- Place of the tax audit

The GTA has also highlighted that the taxpayer is required to designate a specific contact person within the organization to coordinate with the GTA during the audit.

The GTA has informed taxpayers that they will be required to:

- Provide all relevant records and clarifications for the tax period under audit.

- Allow access and support the GTA in examining the software, systems and information applications used to record financial information and prepare tax returns.
- Allow access and support the GTA in examining the data necessary for the exploitation of these software, systems, information applications, processes, as well as databases used to process transactions, billing, revenues, receipts, assets, and inventory.

As evident from the information above, field inspections entail extensive review of the taxpayers' records and systems. Although the selection for field inspections is conducted on a sample basis at the moment, it is our view that all the taxpayers should start preparing for tax audits well in advance, considering their detailed nature and the limited notice period provided by the GTA.

In case information is not readily available when requested by the GTA during tax audits, this could lead to significant exposure for taxpayers as the GTA may issue deemed tax assessments, resulting in additional tax and late payment penalties, in addition to other types of penalties as highlighted under the Income Tax Law.

Should you need further clarification and details regarding this update, please contact our International Tax team – Partner [Anuj Kapoor](#), Senior Manager [Amisha Anil](#),

GCC Tax Treaty Developments

Tax Treaty Between the UAE and Guyana Signed

On 24 March 2022, officials from Guyana and the United Arab Emirates 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. Further details on the Tax treaty are expected in due course.

Should you need further clarification and details regarding this update, please contact our International Tax team – Partner [Anuj Kapoor](#), Manager [Tamer El Khatib](#).

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 Middle East 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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