



Tax Newsletter

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Steve Kitching

Partner,
Tax Advisory



Landscape

In our February edition of GT's Tax Newsletter, you can explore the latest updates effecting 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 to Restrict the Use of VAT301 form from 23 February 2021

The FTA has announced that Form VAT301 (import declaration form used for VAT payments) will no longer be available to declare imports. The FTA had sent email reminders in the past as well, but they were never put into effect.

However, from the 23rd February 2021, Form VAT301 can only be used on special requests by the following entities by submitting an application to the FTA seeking their approval:

- Designated entities exempted by the FTA
- Free zone Companies that export through the land to GCC Countries from VAT Designated Zone
- FTA accredited Shipping and Clearance Agencies

All registrants are encouraged to link their customs code with Tax Registration Numbers to settle import claims in the VAT return itself.

For assistance in linking the customs code to the TRN or seeking special approval to use Form VAT 301, please contact our UAE team below.

2. UAE Customs

Dubai Customs Reinforces Submission of 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, the temporary suspension of submission of Customs declarations and required documents.

The Dubai Customs have now terminated notice no. (02/2018) and replaced it by notice no. (1/2018). All Customs declarations are required to be completed and submitted by 30th June 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 starting 1st July 2021.

The announcement can be accessed [here](#).

The GCC Update



Indirect Tax

1. VAT

General Authority for Zakat and Tax Extends Tax Amnesty Program Until June 2021

During 2020, the Ministry of Finance in the Kingdom of Saudi Arabia had launched an amnesty programme as a part of its fiscal stimulus initiative package to support taxpayers in light of the disruptions caused by COVID-19. The programme was previously extended until 31st December 2020.

In continuation to support businesses in the Kingdom, the MoF has issued a new resolution to extend the tax amnesty programme for another 6 months until 30th of June 2021. The penalty waiver applies to late payment penalties and late filing of tax returns for Corporate Income tax, VAT, Withholding tax, and Excise Tax and Tax return correction penalties for VAT.

In line with the amnesty programme, the taxpayer can be granted a waiver as follows, based on the period in which the tax payment is made:

The Period in Which Payment is Made	Penalty Waiver
Before January 2021 until March 2021	100%
April 2021 – May 2021	75%
June 2021	50%

However, it is also important to note that waiver does not apply to tax evasion penalties.

The businesses in the Kingdom should take advantage of this extension, which may probably be the last extension and make all due tax payments as soon as possible to take full benefit of this concession.

GAZT Approves Amendments to Real Estate Transaction Tax

Following the exemption of VAT on Real Estate and the introduction of Real Estate Disposal Tax in October 2020, the Board of Directors of GAZT have approved amendments to Article 3 of the RETT Regulations,

However, the amendment excludes the following transaction from the scope of RETT:

- Disposal of property by a shareholder/partner in a company to the company's name.
- Disposal of real estate property as in-kind contribution by any person in the capital of a real estate investment fund, after establishing the fund in accordance with the rules and regulations of the Capital Market Authority.

The team at Grant Thornton KSA can assist the taxpayers to analyse if they qualify for the above exclusions.

The announcement can be accessed [here](#).

Oman Tax Authorities Release Guidelines on VAT Registration Periods

With just 3 months remaining for the implementation of VAT in Oman, the Oman Tax Authority (OTA) has released guidelines for VAT registration. Oman will be implementing VAT in four phases based on the value of supplies made by the taxpayers. Registration will commence in the first phase from 1st February 2021.

To establish whether a person is **mandatorily obliged** to register, the following supplies must exceed the mandatory threshold of OMR 38,500:

- Supplies subject to VAT i.e. Standard-Rated and Zero-Rated supplies; and
- Imports subject to the reverse charge mechanism.

The registration period and date based on the amount of supplies made are summarized in the below table:

Phase	Category	Registration Period	Registration date
1	For a person whose total value of supplies exceeds or is expected to exceed one million (1,000,000) Omani Rials	From 1 February 2021 to 15 March 2021	16 th April 2021
2	For a person whose total value of supplies ranges between (500,000) Omani Rials and (1,000,000) Omani Rials	From 1 April 2021 to 31 May 2021	1 July 2021
3	For a person whose total value of supplies ranges between (250,000) Omani Rials and (499,999) Omani Rials	From 1 July 2021 to 31 August 2021	1 October 2021
4	For a person whose total value of supplies ranges between (38,500) Omani Rials and (249,999) Omani Rials	From 1 December 2021 to 28 February 2022	1 April 2022

Supplies need to be calculated on an actual or expected basis:

- Actual supplies subject to VAT are calculated based on the total value of supplies that were made during the 12-month period starting from 1 November 2019 to 31 October 2020. The supplies must be calculated based on the 12-month period that ends at the end of any month.
- The expected annual supplies subject to VAT are calculated based on the total value of the supplies that are expected to be realized during a 12-month period which starts from 1 October 2020 to 30 September 2021.
- Non-residents do not have a registration threshold i.e. a non-resident earning any kind of taxable income in the Sultanate is compulsorily required to register regardless of the amount earned.

The guidelines can be accessed [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 feel free to contact our Tax Director [Deepika Rajan](#), or Senior Tax Manager [Harsh Bhatia](#).

Oman Issues A List of Zero-Rated Products for VAT

Article 31 of the GCC framework permits zero-rating of certain basic foods products.

While the UAE and KSA have not enforced the Article, like Bahrain, the OTA have released the list of products that will be zero-rated for VAT. That means, the supply of these products will be considered taxable but at the rate of 0%.

The list includes the following categories of food products:

- Poultry, meat, and fish
- Milk and milk products
- Eggs
- Fruits and vegetables
- Coffee, tea, and cardamom
- Grains
- Sugar
- Bread
- Water
- Salt
- Preparations for infants

The list can be accessed [here](#).

It is important that products are classified rightly, and correct VAT rate is charged to avoid any penalties. Should you need further clarification and details regarding this update, please feel free to contact our Tax Director in Oman [Deepika Rajan](#), or Senior Tax Manager [Harsh Bhatia](#).

Oman Issues Further Guidelines on VAT Registration

The OTA have released numerous guidelines on VAT registration to assist businesses in applying for VAT registration. The registration process has been divided between businesses who have Commercial Registration No., non-residents, and residents without CRN.

VAT Registration for Person with Commercial Registration Number:

Those businesses who have a CRN can log in with their existing credentials on the e-services link of the OTA, fill in the registration application and follow the steps mentioned below to complete the registration process:

- After logging in to the portal, select “Taxpayer Registration” displayed on the page
- In the field “Commercial Registration No”, enter the CRN of the Company and then, click on “Register”
- Once the new window appears, click on “Type of Registration” and select “Value Added Tax Liability Registration” from the drop-down list. Click on “Continue”
- If successful, the site will display an e-form for “New Registration of VAT Liability”
- Fill the required fields with correct information throughout the application
- Add necessary attachments of the company
- Submit the application and select “Print VAT certificate” from the E-services page

VAT Registration for Persons Without Commercial Registration number:

A taxable person who has a place of residence in Oman but does not have a CRN must complete the [form](#) available for download on the [Oman Tax Authority's website](#) and email it to vat@taxoman.gov.om along with the following details:

- Details of actual or expected annual supplies
- Details of actual or expected annual expenses
- Copy of identification of principal officer (passport, residency card, or ID)
- Proof of conducting activity in Special Zone or customs suspension situations

VAT Registration for non-residents:

Non-residents who make taxable supplies in Oman are required to register for VAT regardless of the value of supplies. A non-resident must complete the [form](#) available on the [Oman Tax Authority's website](#) and email it to vat@taxoman.gov.om along with the following details:

- Copy of company registration documents in the country of residence
- Copy of identification of principal officer (passport, residency card, or ID)
- Proof of conducting activity in Special Zone or customs suspension situations

The OTA will review the registration application and issue a VAT registration certificate. All registered businesses must also clearly display the registration certificate at every location where it conducts activities.

Phase 1 of the registration process has begun on 1st February 2021. All businesses falling into this category must apply for registration on time or risk facing penalties. Should you need further clarification and details regarding this update, please feel free to contact our Tax Director in Oman [Deepika Rajan](#), or Senior VAT Manager [Harsh Bhatia](#).

National Bureau for Revenue Updates General Guidelines on VAT to Clarify the Place Most Closely Connected to Supply

The place of residence of a taxpayer determines if the transaction should be treated as taxable or non-taxable. In case a taxpayer has more than one place of residence, determining the place of residence that is most closely connected to the supply becomes essential to follow the correct VAT treatment. The NBR has updated the VAT general guide to include **Appendix C** explaining how to determine the place closely connected to the supply.

The following factors must be considered to determine the place of establishment closely connected to the supply:

- The establishment mentioned in the contract, invoices, and other correspondence
- The office from where the contract was entered into by the senior management to make or receive the supply
- The establishment where decisions are made and services are provided
- The extent to which each establishment is involved

In case the Bahraini establishment does not satisfy the above factors, it will not be considered to be the closest place connected to the supply.

The updated guide can be accessed [here](#).

2. International Tax and Transfer Pricing

Bahrain Ratifies the CbC MCAA

Bahrain has ratified the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports. The decision was published in the Official Gazette on 28 January 2021 and entered into force on 29 January 2021.

This has been expected as Bahrain signed the CbC MCAA in January 2019 and Bahrain is a member of the Base Erosion and Profit Shifting Inclusive Framework. It is anticipated that Bahrain will issue formal CbC regulations in the near future.

This will make Bahrain the sixth country in the region to implement CbC regulations, with Saudi Arabia, Qatar, Egypt, UAE and most recently Oman all enacting CbC rules.

This shows the ongoing commitment of the region to increase tax transparency, adopt the BEPS minimum standards and implement tax best practices.

Oman Extends the FY20 CbC Notification Deadline

Oman has extended the deadline for the FY20 Oman CbC notifications for Oman Constituent Entities. The extension applies to Oman CEs with a financial year ended 31 December 2020. The deadline was extended to 30 April 2021.

Grant Thornton can assist Omani entities with the preparation of their CbC notifications and CbC Reports. Please contact **Claire Boushell** or **Mahesh BH** for further information or assistance.

Transferring Pricing Disclosures in Qatar

The Qatar General Tax Authority conducted a webinar on 2 February 2021. The webinar was focused on guidelines for filing the corporate income tax return.

Qatar enacted transfer pricing regulations in 2019 which require Qatari taxpayers to comply with the arm's length principle for all related party transactions. All Qatari taxpayers should prepare and maintain supporting transfer pricing documentation (Local File and Master File) showing compliance with the arm's length principle. Transfer pricing documentation does not need to be filed with the GTA, but it must be available and provided upon request of the GTA.

The webinar clarified that taxpayers with related party transactions or assets / revenue above QAR 10million in the tax year will also be required to include a transfer pricing disclosure in their tax return. This will apply to tax years ending on or after 31 December 2020.

It is expected that the GTA will review the transfer pricing disclosures and conduct their own risk analysis, which will determine or assist in determining which taxpayers may be subject to audit or further scrutiny. It is therefore essential that Qatar companies comply with the transfer pricing regulations and ensure appropriate supporting transfer pricing analysis and documentation is prepared.

We would encourage all taxpayers to monitor their International Tax, Transfer Pricing, and Indirect Tax obligations and ensure compliance with respective regulatory authorities. Further, it is imperative for the businesses having presence in Oman to have systems in place prior to the implementation of VAT in the country during mid-April 2021.

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.

United Arab Emirates



Steve Kitching



Partner,
Tax Advisory

 +971 58 550 90 64
 steve.kitching@ae.gt.com



Steven Ireland

Director,
UAE Head of International Tax
Tax Advisory

 +971 56 663 29 99
 steven.ireland@ae.gt.com

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Dubai

Rolex Tower, 23 Floor
Sheikh Zayed Road
PO Box 1620
Dubai, UAE

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

Abu Dhabi

Al Kamala Tower
Office 1101, 11 Floor
Zayed the 1st Street
Abu Dhabi, UAE

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

Abu Dhabi

Office 3414, 34 Floor
Al Maqam Tower
ADGM Square
Al Maryah Island
Abu Dhabi, UAE

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

Kingdom of Saudi Arabia

**Imad Adileh**

Partner,
Tax Advisory, GT KSA

☎ +966 (0)59 558 0027

✉ iadileh@sa.gt.com

**Adel Daglas**

Director,
Zakat & Tax, GT KSA

☎ +966 (0) 55 280 7442

✉ adaglas@sa.gt.com

**Mohamed Hwitat**

Senior Manager,
VAT Advisory, GT KSA

☎ +966 (0) 53 454 3017

✉ mhwitat@sa.gt.com

Bahrain

**Jatin Karia**

Senior Partner,
Tax Advisory, GT Bahrain

☎ +937 3957 5562

✉ jatin.karia@bh.gt.com

Oman

**Tammam Al-Mughairi**

CEO,
GT Oman

✉ tammam.al-mughairi@om.gt.com

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Dubai

Rolex Tower, 23 Floor
Sheikh Zayed Road
PO Box 1620
Dubai, UAE

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

Abu Dhabi

Al Kamala Tower
Office 1101, 11 Floor
Zayed the 1st Street
Abu Dhabi, UAE

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

Abu Dhabi

Office 3414, 34 Floor
Al Maqam Tower
ADGM Square
Al Maryah Island
Abu Dhabi, UAE

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