

# Tax Newsletter

March 2022 Edition



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## **Landscape**

In our March 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 the “Payment User Guide”**

The FTA has published the Payment User Guide thereby providing detailed step by step guidance on how to complete payments due to the FTA. Payment can be made via 3 methods:

- a. e-Dirham or credit card,
- b. Bank Transfer – Local Transfer and
- c. Bank Transfer – International Transfer

The Guide not only navigates the VAT payers through the payment procedures but also addresses the potential issues that a VAT payer might face.

For further information, kindly visit the FTA website.

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

### **The Federal Tax Authority (FTA) Updated the “Voluntary Disclosure User Guide” for VAT and Excise Tax**

The FTA has published an updated version of the Voluntary Disclosure Guide for VAT and Excise Tax (February 2022), updating the previously issued July 2018 version.

The key changes and updates are as follows:

- a. For VAT, the FTA Portal now allows the inclusion of additional details for Voluntary Disclosure for both “Active Tax Groups as well as Deregistered Tax Groups”:

- i. In case of Voluntary Disclosure for Active Tax Groups:
  - The representative member of the Active Tax Group can file the Voluntary Disclosures for the Tax Group.
  - The other Tax Group members can only view the submissions made to the FTA by the representative member.
  - Voluntary Disclosures can be submitted against submitted VAT returns via VAT201 – VAT Returns for Tax Groups tab.
  - Voluntary Disclosures for acknowledged Voluntary Disclosures, or acknowledged tax assessments can be submitted via VAT211- Tax Group VAT Voluntary Disclosure/Tax Assessment tab.
- ii. In case of Voluntary Disclosure for Deregistered Tax Groups:
  - The last representative member of a Deregistered Tax Group will be able to submit the Voluntary Disclosure.
  - The last representative member will be able to view the tabs for managing the Voluntary Disclosure and Tax Assessments and for making the VAT payments, that may arise after the Deregistration of the Tax Group.

- Voluntary Disclosure against a VAT Return already submitted to the FTA / Acknowledged Voluntary disclosures / Acknowledged Tax Assessment, can be filed from the tab “VAT211 – De-registered Tax Group Voluntary Disclosure / Tax Assessment.”

b. For Excise Tax, the following are worthy of note:

- i. Voluntary Disclosures can be submitted against submitted Excise Tax returns via EX200 - Excise Tax Return and EX311 – Excise Tax Refund tab in the Excise Tax Section.
- ii. Voluntary Disclosures against tax assessments can be submitted via EX214 - Voluntary Disclosures/Tax Assessments tab in the Excise Tax Section.
- iii. Further the Voluntary Disclosure form will require basic information such as details of the Taxable Person and the related Excise Tax Return Period. This data will be pre-populated and will have to be verified.
- iv. The Voluntary Disclosure Form will also require the details of the date on which the first error was identified, the errors identified, the summary of the errors identified, supporting documentation and calculation of the Excise Tax due.

- v. Following the completion of the required information and the uploading of the supporting documentation, the authorized signatory details will be pre-populated. After the confirmation of the information, the Voluntary Disclosure Form can be submitted by pressing the “Submit” button.

For further information, kindly visit the FTA website.

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



# The GCC Update

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# INDIRECT TAX

## 1. VAT

### **KSA – The Zakat and Customs Authority “ZATCA” launches “ZATCA” App for Smartphones**

The Saudi Zakat, Tax, and Customs Authority ,ZATCA, has launched the “ZATCA” App for smartphones with the aim of enabling smooth and quick digital solutions to the VAT Payers. The ZATCA App covers a range of self-services including the contract disclosure service, submission of zakat and tax declaration service and the likes.

The focus of the ZATCA App is to provide ease, speed and efficiency to the users and this initiative strengthens ZATCA’s vision of being the advocate of digital transformation and progression as well as displays the authority’s enthusiasm on enriching the VAT Payer’s experience.

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

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

### **The Zakat and Customs Authority “ZATCA” Issues A Tax Circular on VAT Refunds for Diplomatic Missions.**

ZATCA has issued a tax circular on VAT Refunds for Diplomatic Missions that provides an insight into the requirements, process and obligations of “Eligible persons” making special refund claims of VAT on the expenditure, purchases and the costs incurred within KSA.

The following are recognized as “Diplomatic Missions” under this tax circular:

- a. Foreign embassies and Military Attaché with technical and administrative offices affiliated to them.’
- b. General Consulate; and
- c. International Organisations, including permanent delegations of international or regional organisations.

The registration of a Diplomatic Mission as an Eligible Person for a tax refund is only possible after the Ministry of Foreign Affairs (MOFA) verifies the eligibility of the mission as per the provisions of the VAT Implementing Regulations and is included on the list of Diplomatic Missions in KSA.

The Diplomatic Mission will have to register and proceed for the refund requests via the Protocol portal of the MOFA along with the necessary documents.

The Diplomatic Missions may file Refund Requests either quarterly or yearly. The Refund Requests can be filed only once per tax period (not later than 6 months from the end of the tax year) following the end of the tax year and not later than 30<sup>th</sup> June of the following calendar year.

The Diplomatic Mission needs to file the VAT Refund Request only if they are in a refundable position. If the right to recover a VAT Refund is not exercised, it will be forfeited for the concerned tax period.

A VAT Refund Request must be made only where the refundable VAT amount is at least 1,000 SAR. If this condition is not satisfied, the Refund Request will be automatically rejected by the Authority. In this situation, the Diplomatic Mission may change the Refund period to a calendar year period and request for the VAT Refund.

The following details must be provided with respect to an expenditure:

Supplier information	Name and address of Supplier of Goods or
	Tax Identification Number of the Supplier
Expenditure information (Eligible for refund only)	a detailed description of the purchased Goods or Services
Tax invoice (or simplified tax invoice) information	Name of Customer (Diplomatic Mission) and address.
	Tax invoice number
	Tax invoice date
	Total tax invoice amount
	Total VAT amount in respect of qualifying expenditure
	Copies of relevant tax invoices, showing the name of the Eligible Person making the refund claim. If the tax invoice received by the Eligible Person is a simplified tax invoice, additional evidence demonstrating the supply recipient as discussed in this Circular must be provided to the Authority

After registering via the Protocol Portal, the Diplomatic Mission may proceed with the submission of the Refund Requests. The supporting documentation and invoices, which have been duly checked by the MOFA, must be provided only upon requests by the Authorities. If the Diplomatic Mission fails to provide the requested additional information within 60 days from the date of request, the Refund Request will be cancelled and may be wholly or partially rejected by the Authority.

Upon approval, the Diplomatic Mission will be notified and the Authority will make the payment to the Bank Account as provided by the Diplomatic Mission within 60 days of the issuance of notification of the approval.

For further information on the above-mentioned Tax Circular, please click here for [Arabic](#) and here for [English](#).

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





# International Tax & Tax Treaty

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### Saudi Arabia Amends Regulations for Real Estate Transaction Tax

ZATCA, has issued a release announcing amendments to the executive regulations for the Real Estate Transaction Tax (RETT). The RETT was introduced in October 2020 at a rate of 5%, which replaced VAT on real estate supplies. The amendments to the regulations are effective from 18 February 2022.

One of the main changes concerns the payment date for the RETT, which is set to on or before the date of documentation of a sale with the notary or approved (certified) notary, without having to pay the tax on or before the date on which the sales contract is concluded between the buyer and the owner of the property. Several amendments are also made in relation to transactions between individuals, including that the exemption for donating/gifting property between relatives up to the third degree may qualify for exemption, instead of up to the second degree. This is subject to the condition that the property is not further transferred within three years to a person that would not have qualified for exemption if such property was transferred directly from the original owner.

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

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

### G20 Finance Ministers and Central Bank Governors Remain Committed to OECD's Two-Pillar Solution

The U.S. Treasury has published the [official communication](#) issued after the G20 Finance Ministers and Central Bank Governors Meeting that was held 17 to 18 February 2022, which contains a continued commitment to the implementation of the OECD's two-pillar solution for international tax reform. With respect to taxation, the communication includes the following:

To ensure the swift global implementation of the historic OECD/G20 two-pillar international tax package agreed in 2021, they have committed to develop the model rules and multilateral instruments according to the timetable provided in the Detailed Implementation Plan, with a view to ensure that the new rules will come into effect at global level in 2023. They welcome the technical design of the Global anti-base erosion Model Rules for Pillar 2 adopted by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) and call for their finalization and consistent implementation at a global level as a common approach. They also welcome the ongoing development of the Multilateral Convention for Pillar 1. Bespoke technical assistance will be available to developing countries to support all aspects of implementation. They support the global and regional efforts, including in the Asia-Pacific region, to improve domestic resource mobilization in developing countries through technical assistance and capacity building and welcome the G20 Ministerial Symposium to discuss these issues. They support the progress made on the work on the framework for the automatic exchange of information on crypto-assets. They acknowledge the OECD/G20 Inclusive Framework on BEPS report on Tax Policy and Gender Equality.

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

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

### UAE Cabinet Approves Pending Tax Treaty with the Democratic Republic of the Congo

On 28 February 2022, the United Arab Emirates Cabinet approved the pending income tax treaty with the Democratic Republic of the Congo. The treaty, signed 12 October 2021, is the first of its kind between the two countries and will enter into force after the ratification instruments are exchanged.

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

### Bahrain Deposits Ratification Instrument for BEPS MLI

On 23 February 2022, Bahrain deposited its instrument of ratification for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). Based on the date of deposit, the MLI will enter into force for Bahrain on 1 June 2022, although its entry into force for Bahrain's covered agreements (tax treaties) will depend on the ratification of the MLI by the counterparty to a particular covered agreement.

The MLI will generally enter into force for a particular covered agreement on the first day of the month following a three-month period after both parties to the covered agreement have deposited their ratification instrument. Once in force, the provisions of the MLI will generally apply for a covered agreement from 1 January of the year following its entry into force in respect of withholding taxes, and for all other taxes with respect to taxable periods beginning on or after the expiration of a 6-month period following the date of entry into force.

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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