

Tax Newsletter

May 2021

Steve Kitching

Partner,
Tax Advisory



Landscape

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

UAE VAT Administrative Penalties Reduced

The UAE government has amended the Cabinet Resolution on Administrative penalties resulting in a substantial reduction of penalties for violation of VAT laws.

The new Cabinet Resolution also provides relief of 70% penalty waiver in the form of an amnesty scheme to the existing taxpayers who have been imposed penalties under the old Cabinet decision.

We have summarised the key amendments in the Alert [here](#).

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

Join our upcoming VAT webcast on FTA Audit, Penalties and Appeals, on 31st of May 2021. Click [here](#) to register your virtual seat.

Join our upcoming VAT webcast on FTA Audit, Penalties and Appeals, on 31st of May 2021.

Given the uptake in Federal Tax Authority (FTA) notices for audits and the recent release of Cabinet Resolution No (49) of 2021 on the administrative penalties imposed for violation of tax laws, there are significant changes in the VAT environment that need to be understood and considered by all Tax payers to ensure readiness for an audit and to evaluate the opportunities of the tax penalty amnesty for previously imposed penalties.

Webcast Focus:

- VAT Audit Preparation including Voluntary Disclosures
- Penalties Changes
- Appeals procedures

Click [here](#) to register your virtual seat.

The GCC Update



INDIRECT TAX

1. VAT

Oman Implements VAT

On 16th April 2021, Oman implemented VAT thus, making it the fourth country in the GCC to introduce VAT.

The VAT registration process is divided into four phases began on 1st February 2021 for persons making taxable supplies of over OMR 1 million. The effective date of registration for such persons was 16th April 2021. Currently, phase II of VAT registration has commenced and will last till 31st May 2021. The second phase will include the taxable businesses making supplies of above OMR 500,000 up to OMR 1 million.

Businesses falling under phase II that have not yet begun their VAT implementation assessments need to start by applying for VAT registration, evaluating their position, and the impact of VAT on their business.

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 [Sunny Kachalia](#), Senior VAT Lead for Oman.

Oman Tax Authority (OTA) Releases Guidelines on Obtaining Approval for Simplified Tax Invoices

The OTA has released guidelines on seeking approval for issuing simplified tax invoices.

Article 146 of the Oman VAT Executive Regulations allows taxpayers to issue a simplified tax invoice if approval has been given by the OTA. A simplified tax invoice can be issued if the nature of supply does not require the issuance of Tax Invoices and the value of supplies excluding VAT is less than OMR 500.

To seek approval, a taxpayer must submit a written request to the OTA clearly describing the supply made and provide examples of the simplified tax invoices issued. The request must be sent via email to vat@taxoman.gov.om before the 15th July 2021.

The OTA may take 15 days to respond to the application. If a taxpayer receives no response within 15 days of the date of submission, the application is deemed to be rejected.

The guidelines can be read [here](#).

Grant Thornton can assist in obtaining approval from the OTA. Should you need assistance regarding this update, please contact [Sunny Kachalia](#), Senior VAT Lead for Oman.

Procedures to Apply for VAT in Special Zones in Oman Released

The Public Authority for Special Economic Zones and Free zones in Oman has released a document on the procedures for applying VAT in Special Zones. A Special Zone is a free zone or special economic zone in Oman that has a procedure to monitor the movement of goods and is supervised and regulated by the operating authority.

The document mentions the following Special Economic Zones as 'Special Zones':

- Special Economic Zone in Duqm
- Salalah Free Zone
- Al Mazyunah Free Zone
- Sohar Free Zone

Further, as regards the Special Zones, until the procedures for applying VAT at 0% are published by the OTA, the companies, enterprises, businesses, and establishments operating in these areas must comply with the conditions mentioned in the VAT Executive Regulations and apply for VAT registration under normal cases.

The document 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 contact our Tax Director, [Harsh Bhatia](#).

National Bureau for Revenue (NBR) Updates VAT Guide on Import and Exports

The NBR has updated the VAT Import and Export guide in Bahrain. The guide discusses principles related to the import and export of goods in Bahrain.

In the updated guide, the NBR discusses that if the VAT amount on the imported goods is incorrect due to an error in classification or value, the importer must raise this with the Bahrain Customs Affairs before making the payment of import. If the amendment results in an additional payment of VAT, this adjustment is processed by way of a payment order issued by the Bahrain Customs Affairs, with additional amounts collected from the importer.

If the amendment results in an overpayment of VAT, this can be recovered from the NBR.

The updated VAT Import and Export guide can be accessed [here](#).

International Tax & Transfer Pricing



Tax Treaty Between Oman and Qatar Signed

On 28 April 2021, the Qatar Cabinet announced the signing of tax treaty with Oman. 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 relationship, 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.

Estonia Authorises Signing of Tax Treaty with Qatar

On 22 April 2020, the Government of Estonia authorised the signing of an income tax treaty with Qatar. Estonia and Qatar concluded negotiations with the initialing of an income tax treaty on 29 August 2019. The treaty will be the first of its kind between Estonia and Qatar and must be signed and ratified before entering into force.

Dutch Ministry of Finance Announces Tax Treaty Negotiation Plans for 2021

The Dutch Ministry of Finance has announced tax treaty negotiations plans for 2021 with Andorra, Bangladesh, Belgium, Brazil, Morocco, Mozambique, Uganda, Portugal, Russia, Senegal, and Sri Lanka.

The Netherlands will also commence new (re)negotiations with Bahrain, Barbados, Moldova, and the United Arab Emirates (amendment of existing treaties), and Ecuador (no existing treaty yet). The Netherlands will further continue discussions on a new tax scheme with Aruba and Curaçao in 2021. In addition, the Netherlands intends to start talks about the tax scheme with Sint Maarten.

Cameroon Ratifies Pending Tax Treaty with UAE

On the 16 April 2021, Cameroon signed the law for the ratification of the pending income tax treaty with the United Arab Emirates. The treaty was signed on 13 July 2017 and the first of its kind between the two countries. It will enter into force once the ratification instruments are exchanged and will generally apply from 1 January of the year in which it enters into force.

Costa Rica Ratifies Pending Tax Treaty with UAE

On the 15 April 2021, Costa Rica published the law providing for the ratification of the pending income and capital tax treaty with the United Arab Emirates. The treaty signed was signed 3 October 2017 and is the first of its kind between the two countries. It will enter into force 30 days after the ratification instruments are exchanged and will apply from 1 January of the year following its entry into force.

Tax Treaty Between Saudi Arabia and Switzerland Has Entered Into Force

The income and capital tax treaty between Saudi Arabia and Switzerland entered into force on 1 April 2021. The treaty, signed 18 February 2018, is the first of its kind between the two countries and will apply from 1 January 2022.

The treaty covers Saudi Zakat and income tax, including the natural gas investment tax. It covers Swiss federal, cantonal, and communal taxes on income. Some of the key features of the treaty include:

- A reduced withholding tax rate of 5% for royalties and 5% for interest
- 5% WHT on dividends (same as the domestic dividend WHT rate in Saudi Arabia)
- A “service PE” will arise if an enterprise furnishes services through employees or other engaged personnel if the activities continue for the same or connected project within a Contracting State for a period or periods aggregating more than 183 days within any 12-month period

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.

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

© 2021 Grant Thornton UAE
All rights reserved.

Grant Thornton refers to the brand under which the Grant Thornton member firms provide assistance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

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

DD-16-121-031
16th Fl. WeWork Hub 71
Al Khatem 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

© 2021 Grant Thornton UAE
All rights reserved.

Grant Thornton refers to the brand under which the Grant Thornton member firms provide assistance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

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

DD-16-121-031
16th Fl. WeWork Hub 71
Al Khatem 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