



**GCC Tax & Other
Regulatory Communique**

September 2023



VAT UPDATES

UAE CT, VAT AND OTHER REGULATORY UPDATES

VAT UPDATES

Application of the Reverse Charge Mechanism on Electronic Devices

The FTA of UAE has issued Cabinet Decision No. 91 of 2023 on “Application of the Reverse Charge Mechanism on Electronic Devices among Registrants in the State for the purposes of Value Added Tax.” It shall come into force post 60 days from publishing in the Official Gazette.

*It is pertinent to note that said if a **supplier provides Electronic Devices to a registered Recipient of Goods and the intention of the Recipient of Goods was/is to resell or use them in producing or manufacturing Electronic Devices** than supplier shall not be responsible but recipient will be responsible for accounting and all applicable tax obligations related to said supply.*



CORPORATE TAX UPDATES

UAE CT, VAT AND OTHER REGULATORY UPDATES

CORPORATE TAX UPDATES

Corporate Tax General Guide

The Corporate Tax General Guide was issued by the Federal Tax Authority to provide general guidance on Corporate Tax in the UAE:

1. Employment income and other specific types of income earned by natural persons based in the UAE and natural persons based in foreign jurisdictions, are not within the scope of the UAE Corporate Tax regime.
2. A Qualifying Free Zone Person can elect to be taxed at the general rates of Corporate Tax. The election will be effective from either the commencement of the Tax Period in which the election is made, or the commencement of the following Tax Period and **for the following four Tax Periods**, after which the election can be made again.
3. Different structures that are used to manage personal wealth and investments for asset protection, succession, philanthropic and other reasons, for example, a contractual trust, a private trust company or a foundation to hold and manage personal assets and investments are by default treated as fiscally transparent for Corporate Tax purposes, some types of trusts and foundations have a separate legal personality, such as **foundations established in ADGM or DIFC**. These types of entities are treated the same as any other juridical person, with their income being within the scope of Corporate Tax.

UAE CT, VAT AND OTHER REGULATORY UPDATES

CORPORATE TAX UPDATES

Corporate Tax General Guide

4. Entities that are considered as “Family Foundations” for Corporate Tax purposes can, subject to meeting certain conditions, apply to the FTA to be treated as an **Unincorporated Partnership**. If the application is approved, the Family Foundation will be treated as tax transparent and the beneficiaries would be seen as directly owning or benefiting from the activities and assets of the Family Foundation.

5. The following adjustments should be considered in relation to a Taxable Person's Accounting Income to determine their Taxable Income:

- Unrealised gains or losses
- Deductions;
- Transfer pricing adjustments relating to transactions between Related Parties or Connected Persons
- Exempt Income
- Reliefs for specific transaction types
- Tax Losses

Other adjustments may be required in other specific cases, such as when determining the Taxable Income in relation to:

- Transfers within a Qualifying Group
- Claiming business restructuring relief
- A partner in an Unincorporated Partnership

UAE CT, VAT AND OTHER REGULATORY UPDATES

CORPORATE TAX UPDATES

Corporate Tax General Guide

6. Businesses who prepare their Financial Statements using the Accrual Basis of Accounting may elect to take into account gains and losses on a realisation basis. This election can be made either in relation to all assets and liabilities that are subject to fair value or impairment accounting under the applicable accounting standards (i.e. IFRS or IFRS for SMEs), or just those that are classified as capital under IFRS or IFRS for SMEs.

Where the election has been made, the Taxable Person must exclude any unrealised gains and losses when the value of a non Financial Asset changes.

Additionally, where the election has been made, the Taxable Person will also exclude any change in the value of a liability or a Financial Asset when calculating gains or losses, unless they are calculating the gain or the loss upon the realisation of the liability or the Financial Asset. Upon realisation of the asset or liability, the Taxable Person will need to include any amounts that were not previously taken into account for Corporate Tax purposes as a result of the adjustments mentioned above. Realisation includes selling or disposing of the asset or liability, transferring it, settling it, or writing it off in accordance with the accounting standards applied by the Taxable Person (i.e. IFRS or IFRS for SMEs). The decision to make, or not make, an election to apply the realisation basis must be made by the Taxable Person during their **First Tax Period**, and will be **deemed irrevocable** except under exceptional circumstances

UAE CT, VAT AND OTHER REGULATORY UPDATES

CORPORATE TAX UPDATES

Corporate Tax General Guide

7. No deduction is allowed for Interest expenditure incurred on a loan obtained, directly or indirectly, from a Related Party in respect of any of the following transactions:
 - A dividend or profit distribution to a Related Party;
 - A redemption, repurchase, reduction or return of share capital to a Related Party;
 - A capital contribution to a Related Party; or
 - The acquisition of an ownership Interest in a Business that is, or becomes, a Related Party following the acquisition.
8. Entertainment costs incurred for customers, shareholders, suppliers, or other business partners are limited to **50%** of deductibility. The deductibility limitation does not apply for expenditure **incurred for staff entertainment**. This means that, for example, the cost of internal entertainment such as staff parties can be fully deducted for Corporate Tax purposes unless the staff are family members and the event is private in nature.
9. Two Persons are considered **Related Parties** for Corporate Tax purposes if they are two or more natural persons related to the **fourth degree of kinship or affiliation**, including by adoption or guardianship.

UAE CT, VAT AND OTHER REGULATORY UPDATES

CORPORATE TAX UPDATES

Corporate Tax General Guide

10. In order to apply some of the provisions in the Corporate Tax Law, Taxable Persons will need to make the relevant elections or applications. Elections can be applied unilaterally by Taxable Persons, and do not require an approval from the FTA to give effect to the Corporate Tax treatment. In order for an election to become effective, it is only necessary for a Taxable Person to inform the FTA of their decision. No action or confirmation from the FTA is needed. Taxable Persons can elect to:

- Benefit from the small business relief
- Exempt their Foreign Permanent Establishment income
- Account for gains and losses on a realisation basis
- Be subject to Corporate Tax at the general rate, if they are a Qualifying Free Zone Person
- Apply the relief in relation to transfers in a Qualifying Group
- Apply the business restructuring relief
- Apply Transitional Relief

UAE CT, VAT AND OTHER REGULATORY UPDATES

CORPORATE TAX UPDATES

Corporate Tax FAQs

Key Relevant New FAQs

- 1. Unincorporated Partnerships subjected to Corporate Tax** – Unless an application is made to be treated as a Taxable Person in its own right, an Unincorporated Partnership will be treated as tax transparent. This means that the Unincorporated Partnership itself will not be subject to Corporate Tax. Instead, the individual partners will be taxed on their share of income of the Unincorporated Partnership.
- 2. Taxable Income of a Partner in an Unincorporated Partnership** – The income and expenditure of the Unincorporated Partnership is allocated to each partner in proportion to their distributive share in that Unincorporated Partnership. When the distributive share of a partner cannot be identified, it will be allocated in manner prescribed by the Federal Tax Authority.
- 3. All Partners in an Unincorporated Partnership be required to register and file a CT Return** – Natural persons that are engaged in a Business or Business Activity through a Unincorporated Partnership are individually subject to UAE CT on their share of income from the Unincorporated Partnership. Where the natural person is a partner in the Unincorporated Partnership, they would be required to register for UAE CT purposes and comply with the requirements of the Corporate Tax Law.

UAE CT, VAT AND OTHER REGULATORY UPDATES

CORPORATE TAX UPDATES

Corporate Tax FAQs

Key Relevant New FAQs

- 4. Remuneration paid to management be a deductible expense for CT purposes** – Remuneration paid to the management of a business will generally be a deductible expense for CT purposes. There are few specific cases that may impact the amount of remuneration that can be deducted. These are:
 - Any remuneration paid above the market rate would not be deductible
 - Any remuneration paid that is above the arm's length price would not be deductible.
- 5. Corporate Tax deduction for revaluation losses and provisions** – The Corporate Tax treatment of a revaluation loss depends on whether the Taxable Person has made an election to recognise gains and losses on a realisation basis. If no election has been made, then the tax treatment should follow the accounting treatment which is gains and losses are subjected to CT in the relevant Tax Period. If election has been made to recognise gains and losses on a realisation basis, then any gains and losses which relate to change in the value of the asset or liability above its original cost shall be ignored for CT. Such gains and losses would be subject to Corporate Tax when the underlying asset or liability has been sold or settled.

UAE CT, VAT AND OTHER REGULATORY UPDATES

CORPORATE TAX UPDATES

Corporate Tax FAQs

Key Relevant New FAQs

- 6. Tax Treatment of Provision released after the effective Corporate Tax date i.e., credited back to the P&L –**
There are no specific adjustments to be made with regards to the release of a provision that was credited prior to the effective Corporate Tax date. Therefore, the relevant credit to the P&L will be subject to Corporate Tax.
- 7. Implementation of Pillar Two or the Global Minimum Tax –** The Ministry of Finance has announced that Pillar Two will not apply in the UAE in 2024. The Ministry will be releasing a public consultation in Quarter 1 of 2024 on the Pillar Two proposals and will seek input on the design and timing of Pillar Two rules in UAE from the relevant stakeholders.
- 8. Pillar Two Groups file their Pillar Two returns in UAE for 2024 –** The UAE is intending to allow the Pillar Two or the GLoBE Information Return in relation to 2024 to be submitted via the UAE competent authorities.

UAE CT, VAT AND OTHER REGULATORY UPDATES

CORPORATE TAX UPDATES

Federal Tax Authority Decision No. 13 of 2023 – Conditions for Conversion of Amounts Quantified other than UAE Dirhams

1. Taxable Person is required to convert the amounts in Foreign Currency to UAE Dirhams in the following order:-
 - a. The spot rate published by the Central Bank of the UAE as per the date of the transaction - if the accounting system is able to convert the currency of such transaction or the number of transactions make it practical to convert the amount manually.
 - b. If it is not practical to use the spot rate, the average monthly exchange rate of the Central Bank of UAE shall be used - where such rate provides an acceptable approximate estimation of Corporate Tax Payable based on the number and timing of transactions within the Financial Year.
 - c. If it is not practical to use the exchange rates in paragraphs **(a)** and **(b)**, the average annual exchange rate of the Central Bank of the UAE shall be used.

UAE CT, VAT AND OTHER REGULATORY UPDATES

CORPORATE TAX UPDATES

Federal Tax Authority Decision No. 13 of 2023 – Conditions for Conversion of Amounts Quantified other than UAE Dirhams

2. Currency conversion method adopted shall continuously be used to calculate all relevant amounts throughout the Tax Period.
3. Records documenting the reason for selecting a method for currency conversion, rates used, rationale, and mechanisms applied to all currency conversion accounts shall required to be maintained.
4. Rationale for any change in the currency conversion method in a Tax Period to be adequately documented

Our Comments :

- The Federal Tax Authority has given considerable flexibility to a Taxable Person to adopt the currency conversion method having regard to the practicality of the adoption of the same.
- The Decision would be relevant, especially foreign companies who prepare their financials in a currency other than the UAE Dirhams.



OTHER REGULATORY UPDATES

UAE CT, VAT AND OTHER REGULATORY UPDATES

OTHER REGULATORY UPDATES

National System for Tracking Trucks and Shipments in the country

The Dubai Customs has issued a Custom Notice No.09/2023 on “Concerning National System for Tracking Trucks and Shipments in the country”. Purpose of said notice is to enhance the customs security system and facilitate trade by tracking the movement of cargoes and conveyances.

It is pertinent to note that provisions of said notice shall be implemented and will be applicable from 01 November 2023.

Anti-dumping Duty on Automotive Batteries

The Dubai Customs has issued a Custom Notice No.10/2023 on “Continued Imposition of Anti-dumping Duty on the GCC Imports of Automotive Batteries Originating in or Exported from the Republic of Korea”. As per said notice, the definitive anti-dumping duties shall continue to be imposed on the GCC imports of electric lead-acid accumulators.

It is pertinent to note that said anti-dumping duty will remain effective for five (5) years starting 25 June 2022.



VAT IN KSA

KSA VAT AND OTHER REGULATORY UPDATES

VAT UPDATES

Guideline on Tax Ruling Request

The ZATCA of KSA has recently issued "[Tax Ruling Request](#)" guide. Said guide is intended for all natural and legal persons whether or not they are registered with ZATCA.

*It is pertinent to note that said guide is also intended for **the representatives and agents acting on behalf of natural and legal persons who wish to submit a request for a Ruling.***



VAT IN OMAN

OMAN VAT AND OTHER REGULATORY UPDATES

VAT UPDATES

Guide on Electronic services

The Oman Tax Authority ('OTA') has issued a VAT guide on "Electronic Services" in Arabic. Similar user guide on subject matter has also been issued in Income tax and Excise.

It is to be noted that english translation of afore mentioned guides has not been issued yet and is awaited soon.



THANK YOU

VISIT :

www.tmslglobal.com for more info OR Drop us a mail
at info@tmsl.in

OFFICE ADDRESS

Office No MF -24 plot 293,
Belshalat Building -
Commercial,

Al Baraha Dubai UAE.

PO Box 77106
CONTACT US

Pratik Shah:

+971 55 957 8232 / +91 98335 32232

<https://wa.me/919833532232>

Sanket Shah

+91 98204 44889

<https://wa.me/919820444889>

Piyush Baid:

+971 54 449 5785 / +91 97405 55590

<https://wa.me/971544495785>