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# TAX NEWSLETTER

## United Arab Emirates (UAE)

### CORPORATE TAX ("CT") CONDITIONS FOR FORMING THE TAX GROUP BY SUBSIDIARIES OF A GOVERNMENT ENTITY

On 25th September 2023, The Federal Tax Authority ("FTA") published FTA decision No. 12 of 2023 which was issued on 16th August 2023.

This decision provides guidance on the conditions and the administrative process involved in the formation of a Tax Group by Subsidiaries of a Government Entity that demonstrate 95% ownership interest in the Subsidiary either directly or indirectly by the Government Entity.

The following conditions for forming the Tax Group (for subsidiaries of a Government Entity) have been outlined in the decision:

- General conditions on the Formation of a Tax Group must be satisfied as per Clause 1 of Article 40 of the CT Law
- The Government Entity Exempt as per the CT Law is not a member of the Tax Group.
- The Subsidiary of a Government Entity is not a member of a Tax Group where it is declared Exempt.
- One of the Subsidiaries must be appointed as the representative member of the Tax Group.

[click here to read the official decision](#)

### CONDITIONS FOR CONVERSION OF AMOUNTS DISPLAYED IN A CURRENCY OTHER THAN UAE DIRHAMS

On 25th September 2023, The Federal Tax Authority ("FTA") published FTA decision No. 13 of 2023 which was issued on 16th August 2023.

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On 25th September 2023, The Federal Tax Authority ("FTA") published FTA decision No. 13 of 2023 which was issued on 16th August 2023.

This decision provides guidance on 'the conversion of amounts to UAE Dirhams' for Taxable Person who use different currency for accounting purposes.

General rules regarding conversion of amounts include:

- Use of the spot rate of the Central Bank of UAE as per the date of the transaction.
- Where the use of the spot rate is not practical, the average monthly exchange rate of the Central Bank of UAE where such rate would provide an acceptable approximate estimation.
- In case the average monthly exchange rate is not practical, the annual exchange rate of the Central Bank of UAE shall be used.

It is an important to note that the currency conversion method shall be used continuously throughout the Tax period by the Taxable person; and these must be supported by retaining records that provide reasons for selecting a method for currency conversion, rates used, rationale, and mechanisms applied to all currency conversion accounts.

[Click here to read the official decision](#)

## REQUIREMENTS OF SUBMITTING A DECLARATION FOR EXEMPT PERSONS

On 25th September 2023, The Federal Tax Authority (“FTA”) published FTA decision No. 11 of 2023 which was issued on 16th August 2023.

This decision provides guidance on the submission of a declaration by Taxable Person for claiming exemption status that are subject to certain conditions as stated in the CT Law.

As per the FTA decision, a Taxable Person is required to submit an annual declaration to the FTA within 9 months from the end of the relevant Tax Period that declare the continuity of meeting the exempt conditions as mentioned in the CT Law and the relevant records relating to the exemption are still valid with the FTA.

[Click here to read the official decision](#)



## CORPORATE TAX GENERAL GUIDE

On 11th September 2023, The FTA published the Corporate Tax General Guide (CTGGCTI) on its official website. This guide is intended to provide users with general guidance on the provisions of the CT Law making it as understandable as possible to its users.

This guide focuses on the general concepts such as an overview of the main Corporate Tax rules and procedures, including the determination of the Corporate Tax base, the calculation of Corporate Tax, the filing of Corporate Tax Returns, and other related compliance requirements; and assistance with the most common questions businesses might have the CT Law.

[Click here to read the official guide](#)

## NON-RESIDENT PERSONS GUIDE

On 9th October 2023, The FTA published the Corporate Tax Guide for Non-Resident Persons (CTGNRP1) on its official website. This guide is intended to provide general guidance to natural or juridical persons who are not considered Resident Persons for Corporate Tax purposes and who derive income from the UAE, to help them understand whether they are subject to tax in the UAE as a Non-Resident Person.

The guide addresses the below concepts relating to a Non-Resident Person:

- Who is a Non-Resident Person for the purposes of Corporate Tax in the UAE.
- What are the Corporate Tax obligations on a Non-Resident Person; and
- What income of a Non-Resident Person is subject to Corporate Tax in the UAE.

[Click here to read the official guide](#)

## VALUE ADDED TAX (“VAT”)

### UPDATES ON THE REVERSE CHARGE APPLICATION FOR ELECTRONIC DEVICES

On 25th August 2023, The UAE’s Ministry of Finance (MOF) issued Cabinet Resolution No. (91) of 2023 regarding the application of the Reverse Charge Mechanism (RCM) on electronic devices for VAT purposes.

This decision is intended towards the VAT registrants dealing in:

- Mobile phones
- Smart phones
- Computers
- Tablets
- Parts related to the above devices.

The FTA have also published a VAT Public Clarification (VATP034) on their official website with regards to the updated reverse charge mechanism application on Electronic Devices. This provides a detailed clarification on the amended reverse charge mechanism application.

As per the updated Reverse Charge Application, the major highlights are as follows:

- If a Supplier supplies Electronic Devices to Registered Customer’s and the Customer intends to Resell or use them to Produce / Manufacture more Electronic devices, The obligation to calculate and the pay the Tax shall be with the Registered Customer through their Tax return and the Supplier will exclude these transactions from their Tax returns.
- Customer must provide suppliers with a written statement / declaration that they are registered for VAT and intend to use the goods for Reselling or Use the Goods for Production / Manufacturing purposes and Suppliers must ensure that declarations are received from the Customers.
- If the Recipients are unable to provide the written statements / declarations to the suppliers as mentioned above, the supplies will not be considered as Taxable Supplies and the Input VAT paid on such supplies is considered Non-Recoverable

[Click here to read our detailed Blog](#)

[Click here to read the official VAT Public Clarification](#)



## GENERAL NEWS

### BUSINESSES MAY CHOOSE PREFERRED FREE ZONE’S LATER IN THE FUTURE

According to the Local Newspaper Article, Sheikh Ahmed bin Saeed Al Maktoum, Chairman of Dubai Free Zones Council has addressed the 24th Meeting of the Dubai Free Zones Council (DFZC) that Free Zones in UAE are driving towards enabling companies to choose their preferred Free Zone’s in the Emirate in order to encourage startups and enable entrepreneurs to establish business in the Free Zone.

The Council also elaborated on regulating the free zone-licensed establishments’ mainland activities subject compliance requirements being met. Business must obtain permit from the Licensing Authority and coordinate with the respective Free Zone Authority which would enable them to open a branch in the Emirate and engage in business activities from the same location in the Free Zone.

The Council stated this initiative would contribute to the Achievement of the Dubai Economic Agenda D33 and plans to achieve this by maintaining flexible work frameworks and patterns, and supporting the setup, operation, and expansion procedures within an integrated business ecosystem that provides all necessary requirements and needs

[Click here to read the Local Newspaper Article](#)

## KINGDOM OF SAUDI ARABIA (KSA)

### ZAKAT, TAX AND CUSTOMS AUTHORITY SIGN “MOU” WITH KOREAN CUSTOMS

On 19th September 2023, the Zakat, Tax, and Customs Authority (ZATCA) and Korean Customs signed a memorandum of understanding (“MOU”) regarding mutual recognition of an economic operator program approved by the two countries in their third regular meeting. This initiative also contributes towards the Kingdom’s “Clearance within Two Hours” project in an effort to strengthen the Kingdom’s position as a major hub for Logistics.

The MOU is aimed to enhance to facilitate trade by exchange of economic privileges to the economic operators of the customs authorities in both countries and enhance the security of the supply chain. This in turn contributes to accelerating the clearance of goods at customs ports, supporting economic growth of both countries and enhancing trade exchange.

[Click here to read the official announcement](#)

### PROPOSED AMENDMENTS TO THE INCOME TAX LAW

On 25th September 2023, the Zakat, Tax, and Customs Authority (ZATCA) released a public consultation document proposing certain amendments to the Income Tax Law and has invited the public to comment on the amendments which shall be submitted on 25th October 2023. The proposed amendments in the public consultation document are as follows:

- Addition of New clauses to Article 68 of the Income Tax Law, these payment categories would be considered not subject to Withholding Tax:
  1. Payments of salaries and other similar benefits that an employer makes to its employees and to other individuals working for the employer under a contractual relationship that qualifies as an employee–employer relationship; bonus payments to board members or other employees in similar positions are classified as wages
  2. Payments made to non–resident “transparent entities” to the extent of the share of income attributed to the resident person in Saudi Arabia.
- Amendments to Withholding Tax relating to Article 68 (a) of the Income Tax Law:
  1. WHT exemption on the payment of dividends by listed companies to non–resident shareholders, funds outside Saudi Arabia and issuance of bonus shares.
  2. Imposition of a 10% WHT on services–related payments to non–residents
  3. 5% Withholding Tax levied payments for loan fees to related parties.



- Amendments to Withholding Tax rates table in Article 68 (a) of the Income Tax Law:

1. The following items would be removed from Tax rates Table:

Management Fees	20%
Payments for airline tickets, air or maritime freight	5%
Payments for international telecommunication services	5%
Any other payment specified in the regulations, provided that the tax rates do not exceed	15%

Changes to Article 16 of the Income Tax Law where the Income Tax Bylaws would govern the treatment of expenses that are relating to research, innovation, and development

[Click here to view the public consultation document](#)

## OMAN

### INTRODUCTION OF E-INVOICING IN OMAN

The Sultanate of Oman plans to introduce electronic invoicing in Oman in 2023. The e-invoicing system will be rolled out voluntarily in April 2024 and is scheduled to become mandatory for large entities operating within the country starting in October 2024.

The tax authority in Oman might follow other GCC countries that have implemented or planning to implement e-invoicing. They can observe the e-invoicing models of the Kingdom of Saudi Arabia (KSA), United Arab Emirates (UAE)

The tax authority in Oman has defined electronic tax invoices in decision No. 456 of 2022, issued for amending the Value Added Tax (VAT) Executive Regulations as an electronic tax invoice generated in a structured format through electronic means. It has the details specified in the VAT Executive Regulations

VAT-registered taxpayers in Oman shall make necessary changes to their business process and compliance process to align with the e-invoicing initiative once it is implemented. Hence, businesses in Oman shall consider implementing the latest compliance technology for a easier transition to e-invoicing before the regulations come into effect. Businesses in Oman shall observe the implementation of e-invoicing in other GCC countries to anticipate the process changes to be made for a smooth transition to e-invoicing.

It is expected that the Sultanate will soon announce the implementation timelines and the scope of the e-invoicing initiative in Oman.

**BAHRAIN**

**PROPOSAL SEEKS TO EXEMPT LOW-INCOME CITIZENS FROM TAXES**

On 7th September 2023, a proposal was presented by the 5 Members of the Parliament led by Mohammed Al Marafi, the proposal was to exempt low-income Bahrainis from all taxes in the Kingdom of Bahrain. The proposal described the low-income Bahrainis are defined as those with a monthly income of less than BD600. The proposal has been forwarded by Parliament Speaker Ahmed Al Musallam to the financial and economic affairs committee for their review.

The proposal aims to improve the nationals living standards, while protecting their rights for a decent living as stated by the Member of the Parliament as many Bahrainis, especially low-income, are unable to meet their ends because of the imposed taxation.



**"Reach out and let's connect!"**



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