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TAX NEWSLETTER

United Arab Emirates (UAE)

CORPORATE TAX ("CT") AMENDMENTS TO DECISIONS REGARDING UAE FREE ZONE TAXATION

The UAE's Ministry of Finance ("MOF") have published Cabinet Decision No. 100 of 2023 regarding Qualifying and Excluded Activities and Ministerial Decision No. 265 of 2023 on determining Qualifying Income for the Qualifying Free Zone person ("QFZP"). These decisions replace the previously issued Cabinet Decision 55 of 2023 and Ministerial Decision No. 139 of 2023.

The revised Decisions introduces additional regulations and explanations related to Free Zone taxation, inter-alia, as mentioned below:

- Definition of **"Qualifying Income"** includes **"Income derived from the ownership or exploitation of Qualifying Intellectual Property"**. This inclusion was implemented with the aim of targeting companies that derive income from intellectual property but not trademark royalty and actually carry the research and development activities themselves or via 3rd parties.
- The definition of **"Qualifying Activities"** has been expanded to include **"Trading of Qualifying Commodities"** that means Physical trading activities of Qualifying Commodities and associated derivative trading.
- As a part of the Free Zone substance requirements, the **"Core-Income Generating Activities"** are to consist significant functions that drive the business value for each activity carried out by a QFZP and do not exclusively support the activities.
- The Regulations now mention that **"Core-Income Generating Activities"** may be outsourced in respect of Qualifying Activity as well as Qualifying Intellectual Property, and has **provided specific conditions relating to such outsourced activity.**

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- The Decision also defined each of the “**Qualifying Activity**” as well as “**Ancillary Activity**” in detail, a few definitions have been narrated as under:

1.The Qualifying Activity of “**Holding of shares and other securities for Investment Purposes**” means shares and other securities held for investment purposes. The definition prescribes that “Investment Purposes” means holding period for an uninterrupted period of at least 12 months.

2.The Qualifying Activity of “**Processing of goods or materials**” includes the preparation, treatment, transformation or conversion of goods or materials into another form of good or material for commercial or industrial use or sale.

3.The definition of “**Headquarter Services to Related Parties**” includes various activities as under:

- Ø Administering, overseeing and managing of Business Activities of Related Parties,
- Ø Including the provision of senior and general management, captive insurance services, administrative services, procurement services, business planning and development, risk management, coordination of group activities, and
- Ø In general incurring expenditures on behalf of Related Parties and providing other support services to Related Parties.

4:“Ancillary Activity” has been explained to be an activity where it is necessary for the performance of the Main Activity or where it makes a minor contribution to it and is so closely related to the Main Activity that it should not be regarded as a separate activity.

[Click here to read the Cabinet Decision No. 100 of 2023](#)

[Click here to read the Ministerial decision No. 265 of 2023](#)



ADDITIONAL CONDITIONS FOR REGISTRATION OF A JURIDICAL PERSON AS A TAX AGENT

On 3rd November 2023, The Federal Tax Authority (“FTA”) published Federal Tax Authority Decision No. 14 of 2023 on the Additional Conditions for a Juridical Person to be Eligible for Registration as a Tax Agent.

As per the decision issued, a Juridical Person wishing to be registered as a Tax Agent and to be listed in the Register must meet the additional conditions as mentioned below:

- The Juridical Person must have one of the partners or directors listed in the Tax Agents Register
- The Juridical Person must have at least one natural Person registered as a Tax Agent for every ten (10) employees working in the tax field.

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

AMENDMENTS TO CORPORATE TAX LAW

The UAE's Ministry of Finance ('MOF') issued Federal Decree-Law No. 60 of 2023 Amending Certain Provisions of the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses.

The following are the amendments to the Corporate Tax Law:

Article 1

Two new definitions have been added to the definitions under Article 1 of the Corporate Tax Law:

- **Top-up Tax:** The top-up tax imposed on Multinational Enterprises in accordance with this Decree-Law and the rules and controls to be determined by the Cabinet under Article (3) of this Decree-Law for the purposes of the pillar two rules issued by the Organization for Economic Cooperation and Development.
- **Multinational Enterprise:** An entity and/or one or more of its member entities located in the State or in a foreign jurisdiction, as specified in a decision to be issued by the Cabinet at the suggestion of the Minister.

Article 3

A new clause number (3) shall be added to Article 3 of the Corporate tax Law as follows:

"Without prejudice to the provisions of Clauses (1) and (2) of this Article, the Cabinet at the suggestion of the Minister shall issue a decision regulating all cases, provisions, conditions, rules, controls, and procedures for imposing the Top-up Tax on Multinational Enterprises and the exemptions therefrom, so that the total percentage of the effective tax imposed on them is (15%) fifteen percent."

This shall come into effect as of the date specified in a decision issued by the Cabinet at the suggestion of the Minister, and such decision shall be published in the Official Gazette.

Article 65

The text of Article 65 of the Corporate Tax Law shall be replaced by the following text:

"Corporate Tax and Top-up Tax revenues and Administrative Penalties collected under this Decree-Law shall be subject to sharing between the Federal Government and the Local Governments based on the provisions of a federal law in force in this regard."

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

TAXATION OF NATURAL PERSONS CORPORATE TAX – GUIDE

On 26th November 2023, The Federal Tax Authority ("FTA") published Corporate Tax Guide '**CTGTNPI**' – Taxation of Natural Persons under the Corporate Tax Law.

This guide provides general guidance on the Taxation of Natural Persons under the Corporate Tax Law.

It provides reader with an overview and addresses specific concepts such as When does the Corporate Tax Law apply to natural persons, Calculation of Corporate Tax for natural persons, Implications of Interactions with other Businesses and the compliance requirement for natural persons.

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

ACCOUNTING STANDARDS AND INTERACTION WITH CORPORATE TAX – GUIDE

On 16th November 2023, The Federal Tax Authority ("FTA") published Corporate Tax Guide '**CTGACSI**' – Accounting Standards and Interaction with Corporate Tax.

This guide provides guidance on the general guidance on the interaction of Accounting Standards with Corporate Tax.

It provides reader with an overview and addresses specific concepts such as

- Preparation of Financial Statements;
- Cash Basis of Accounting,
- Realization basis of accounting and
- Adjustments under the transitional rules etc

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



TAXATION OF FOREIGN SOURCE INCOME CORPORATE TAX – GUIDE

On 16th November 2023, The Federal Tax Authority (“FTA”) published Corporate Tax Guide ‘**CTGFSII**’ – Taxation of Foreign Source Income.

This guide provides guidance on the taxation of foreign sourced income under Corporate Tax Law.

It provides reader with an overview and addresses specific concepts such as Relevance of foreign source income under the Corporate Tax Law, What is considered foreign source income for Taxable Persons, Which Taxable Persons are subject to tax on foreign source income, When is foreign source income taxable, Determining Taxable Income and Exempt Income in respect of foreign source income and What is considered a Foreign Tax Credit, and how is it computed.

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

EXCISE TAX

AMENDED EXECUTIVE REGULATION FOR EXCISE TAX LAW

On 6th November, the United Arab Emirates (UAE)’s Cabinet of Ministers issued Cabinet Decision No. 108 of 2023 to amend certain provisions of Cabinet Decision No. 37 of 2017 on the Executive Regulation (ER) of the Federal Decree-Law No. 7 of 2017 on Excise Tax (“Excise Tax Law”).

This publication follows the issuance of the Federal Decree-Law No. 19 of 2022 that had initially amended the Excise Tax Law which was issued on 26 September 2022.

The Key amendments have been made in relation to the following concepts:

- Definitions
- Tax registration
- Stockpiling
- Excise goods released for Consumption
- Exemption of Exported Excise goods
- Designated Zones
- Deductible tax
- Tax refunds in special cases.

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

EXEMPT PERSONS: PUBLIC BENEFIT ENTITIES, PENSION FUNDS AND SOCIAL SECURITY FUNDS CORPORATE TAX GUIDE

On 1st December 2023, The Federal Tax Authority (“FTA”) published Corporate Tax Guide ‘**CTGEPFI**’ – Exempt Persons: Public Benefit Entities, Pension Funds and Social Security Funds

This guide provides guidance on Exempt Persons status for Corporate Tax purposes.

It provides reader with an overview and addresses specific conditions for Exempt person status for:

- Qualifying Public Benefit Entities
- Public pension or social security funds,
- Private pension or social security funds
- Wholly owned and controlled subsidiaries of pension and social security funds

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



VALUE ADDED TAX (“VAT”)

DETERMINATION OF PARTS AND PIECES RELATED TO ELECTRONIC DEVICES

On 25th October 2023, Ministerial Decision No. 262 of 2023 was issued on the Criteria to be Followed in the Determination of Parts and Pieces of Electronic Devices. This decision came into effect from 30th Oct 2023. On 2nd December 2023, The UAE's Federal Tax Authority (FTA) issued VAT public clarification **VATP0035** regarding the Criteria to be followed in the Determination of Parts and Pieces of Electronic Devices.

The pieces and parts will be considered related to Electronic Devices if they meet one or more of the three criteria and do not fall within the exceptions stated in Article 3(2) of Ministerial Decision No. 262 as mentioned below:

- Parts and Pieces that enhance the functionality of the device but are not necessary.
- SIM Cards and other external smart cards.

Criteria

- The parts and pieces are normally used in the manufacturing or production and necessary for the normal operation.
- Parts and Pieces that are not normally used for the manufacturing or production of Electronic Devices but are normally necessary for the normal operation of Electronic Devices
- Replacement Pieces and Parts [Click here to read our detailed Blog](#) [Click here to read the official Public Clarification](#)

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

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

GENERAL NEWS

AMENDMENT OF FEES FOR SERVICES PROVIDED BY THE FEDERAL TAX AUTHORITY

On 13th November 2023, The UAE's the Federal Tax Authority (FTA) issued amendments to the Cabinet Decision No. 65 of 2020 ('Decision') on the Fees for the service provided by the Federal Tax Authority. This decision was published on 30th November 2023 and shall come into effect after 30 days from the date of its publishing.

Kindly find attached the Amended Tables of Fees for services provided by FTA that is attached to the decision.

No.	Service Description	Fees (In AED)
1	Issuance of an attested paper tax registration certificate (new/replacement).	250 for each certificate.
2	Issuance of an attested paper warehouse keeper registration certificate (new/replacement).	250 for each certificate.
3	Registration of a designated zone, pursuant to the provisions of the Federal Decree-Law No. 7 of 2017 on Excise Tax.	2,000 for every year.
4	Registration and renewal of registration of a natural person as a tax agent in the register of tax agents.	3,000 for every 3 years.

5	Registration and renewal of registration of a juridical person as a tax agent in the register of tax agents.	10,000 for each year.
6	Registration of an accounting software vendor with the Authority.	10,000 for each year.
7	Renewal of the registration of an accounting software vendor with the Authority.	10,000 for each year.
8	Submission of an application for the issuance of a Tax Residency Certificate.	50 for each application.
9	Review of the application and issuance of an electronic Tax Residency Certificate to a registrant with the Authority.	500 for each application.
10	Review of the application and issuance of an electronic Tax Residency Certificate to a legal person not registered with the Authority.	1,750 for each application.
11	Review of the application and issuance of an electronic Tax Residency Certificate to a natural person not registered with the Authority.	1,000 for each application.
12	Printing of a paper copy of the electronic Tax Residency Certificate issued under items no. 9, 10, and 11 of this table (new/replacement).	250 for each certificate.
13	Submission of application for the issuance of a Certificate of Commercial Activities.	50 for each application.
14	Review of the application and issuance of an electronic Certificate of Commercial Activities.	500 for each application.
15	Printing of a paper copy of the electronic Certificate of Commercial Activities issued under item no. 14 of this table (new/replacement).	250 for each certificate.
16	A private clarification request relating to one tax.	1,500 for each application.
17	A private clarification request relating to more than one tax	2,250 for each application.

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

KINGDOM OF SAUDI ARABIA (KSA)

E-INVOICING UPDATES – WAVE 9 OF THE IMPLEMENTATION (INTEGRATION PHASE) AND “LINKING AND INTEGRATION PHASE”

The Zakat, Tax, and Customs Authority (ZATCA) have announced the criteria for selecting Taxpayers in Wave 9 for Implementing (Integration Phase) of E-invoicing.

The eighth wave included all taxpayers whose taxable revenues exceeded **30 million Saudi Riyals** during 2021 or 2022 would fall under the criteria the criteria for Wave 8 and should integrate their e-invoicing solutions with (FATOORA) Platform starting from 1st June 2024.

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

KUWAIT

IMPLEMENTING INCLUSIVE FRAMEWORK ON BEPS

On 15th November 2023, OECD had announced the joining on Kuwait in the OECD/G20 Inclusive Framework on BEPS which is an international collaboration that includes 145 member countries.

Kuwait has agreed to participate in the Two-pillar solution to reform the international taxation rules ensuring multinational companies pay their fair share of taxes from wherever they are based. Kuwait has also agreed to participate in the implementation of the BEPS package of 15 measures that help in tackling tax avoidance, enhance the coherence of international tax laws, and provide a more transparent tax environment. The participation will include Pillar One and Pillar Two initiatives (BEPS 2.0).

Under Pillar One, this is designed to ensure a fairer distribution of taxing rights among jurisdictions over the largest and most profitable multinational enterprises (MNEs) leading to allocating tax rights on about USD 200 Billion in profits to market jurisdictions annually.

Pillar Two would introduce a global minimum tax rate of 15% that will apply to companies with revenues exceeding EUR 750 million resulting in global revenue gains of up to USD 200 billion. Further benefits will also arise from the stabilisation of the international tax system and the increased tax certainty for taxpayers and tax administrations.

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

OMAN

LAUNCH OF A NEW SERVICE ON THE E-PORTAL OF THE OMAN TAX AUTHORITY

On 16th November 2023, the Oman Tax Authority (OTA) has issued an announcement confirming that the service of booking appointment with the tax inspectors or OTA representatives are now available on the e-portal.



BAHRAIN

PRACTITIONERS OF ECONOMIC ACTIVITIES URGED TO REGISTER FOR VAT

On 29th November, The National Bureau of Revenue (NBR) has urged all economic activities practitioners whose annual taxable supplies exceeded the mandatory threshold of BHD 37,500 within any of the previous twelve-months or are expected to exceed within any of the next twelve-months to register for VAT, as the number of VAT payers registered until the end of the third quarter of 2023 has reached more than 22,800 entities.

The economic activities are defined by the NBR as any activity that is conducted in an ongoing and regular manner for the purpose of generating income, and includes commercial, industrial, agricultural, professional, services, or any use of tangible or intangible assets, and any other similar activity, for example, legal practices, fashion design, beauty services, events planning, or advertising

Failure to register for VAT despite exceeding the mandatory threshold will be considered a case of tax evasion, which may be punished by imprisonment for a period of five years and by a fine equivalent to three times the amount of VAT due for the natural person or a fine equivalent to six times the amount of VAT due against the legal person in accordance with the VAT Law.

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

"Reach out and let's connect!"



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