



Tax Newsletter

UAE Economic substance regulations (ESR) – Upcoming Deadline of 30th September 2021

As part of the UAE's commitment as a member of the OECD Inclusive Framework, ESR Regulations require UAE entities that carry out any of the defined "Relevant Activities" listed below to maintain and demonstrate an adequate "economic presence" in the UAE relative to the activities they undertake ("Economic Substance Test").

Relevant Activities:

- Banking Business
- Insurance Business
- Investment Fund management Business
- Lease - Finance Business
- Headquarters Business
- Shipping Business
- Holding Company Business
- Intellectual property Business ("IP")
- Distribution and Service Centre Business

Companies are required to do assessment of their activities and transactions for each financial year and take action accordingly for the filing requirement with UAE Ministry of finance (MOF) portal. As applicable, they need to submit an ESR Notification after every 6 months of end of financial year and ESR Report after every 12 months of end of financial year.

Once that assessment is made and concluded on the relevant activity, then the notification and report need to be filed before the due date otherwise there are penalties of AED 20,000 for failure to submit notification and AED 50,000 for failure to submit report.

Companies with financial year ended 31st March 2021 are required to file ESR Notification within the deadline of 30th September 2021 (i.e. within 6 months of end of financial year).

Whereas Companies with year ended 30th September 2020 are required to file ESR Report before 30th September 2021 (i.e. within 12 months of end of financial year).

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UAE - VAT Refund Scheme for Expo 2020 Official Participants

UAE Federal Tax Authority (FTA) had issued Cabinet Decision No. 1 of 2020 on the “Refund of Value Added Tax Paid on Goods and Services Connected with Expo 2020 Dubai”, allowing offices of the official participants of the Expo 2020 to recover VAT.

Methods:

1. Participant registered for UAE VAT may reclaim as normal Process Via UAE VAT return
2. Participant not registered for UAE VAT, can reclaim VAT input by submitting a special refund application to Bureau Expo 2020 Dubai (Bureau).

Offices of the Official Participants not registered for VAT may apply as follows:

- Within 15 days of the end of the **Calendar Month** in which the total VAT value to be claimed is AED 10,000 or more.
- Within 15 days of the end of the **Calendar Quarter** where the total VAT value to be claimed is less than AED 10,000.

[Click here to read our detailed blog on this topic.](#)



Oman VAT - Tax Authority Announced Requirement of Simplified Tax Invoices

The Tax Authority of Oman announced a general authorization for all VAT-registered taxpayers to use simplified invoicing when invoicing for supplies valued at less than OMR 500 excluding VAT which will continue until further notice.

The Simplified Tax Invoice must contain the information set out in Article (147) of the VAT Regulations.

Tax Payer must notify the Tax Authority if he chooses to take advantage of this general authorization to issue Simplified Tax Invoices, within 3 months of starting to do so.

The templates for Simplified Tax invoice and Simplified Tax Invoicing Notification to be used to notify the Tax authority are available for download on the Oman tax authority website.



Bahrain Economic Substance Requirements (ESR) Update

On 10th August, Bahrain Ministry of Industry, Commerce and Tourism (MoICT) issued a notification to extend ESR return deadline for Fiscal year 2020

As per Ministerial order no. 106 of 2018 (MO 106), all entities conducting one or more of the following Economic Substance relevant activities is required to file their Economic Substance Returns:

- Distribution and Service Center activities
- Headquarter activities
- Holding Companies
- Leasing activities
- Shipping activities
- Intellectual Property activities

Entities are required to file their returns as instructed on International tax information exchange system (ITIES) within 3 months from their fiscal year end.

MoICT announced that the filing period for Economic Substance returns for the fiscal year end of 2020 will be from 8th of August 2021 to 12th of September 2021.

Entities that fail to comply with the aforementioned filing period will be subject to the violations and sactions.



Kingdom of Saudi Arabia (KSA) issues guidelines on Withholding Tax

Zakat, Tax and Customs Authority (ZATCA), KSA has issued guidelines on withholding Tax (WHT).

WHT is an income tax assessed on Non-residents who generates income from a source in the Kingdom.

Withholding Agent

The Resident person, whether a Taxpayer or not or/and the permanent establishment of a Nonresident which makes payments to a Non-resident is considered as withholding agent and is responsible for withholding and remitting the amount of tax to the Authority.

Which Payment Subject to WHT?

- Payment made from Resident or PE of Non-resident to a Non-resident; **and**
- Payment should be from a source in KSA (subject to the force of attraction rules in KSA law and applicable tax treaties)

Payment means any consideration in kind or in cash paid, including settlements, set-offs, book adjustments and liabilities

[Click here to read our detailed blog on this topic.](#)



Kingdom of Saudi Arabia (KSA) - VAT Guideline for Government Bodies

The guide is directed towards Saudi Government bodies, with the objective to provide clarifications with respect to the interpretation of Economic Activity for VAT purposes in addition to the VAT treatment of transactions between persons and such bodies.

Please find below key highlights of the guideline:

Registration Requirement

A Government Body is required (or eligible) to register for VAT or not is decided by determining if such body carries on an Economic Activity as outlined in the guideline.

Definition of Economic Activity

“An activity that is conducted in an ongoing and regular manner including commercial, industrial, agricultural or professional activities or Services or any use of material or immaterial property and any other similar activity”

This is regardless of whether it makes charges or accepts charges for carrying out these functions; even if the Government Body is VAT registered.

Where Government Bodies have the right to acquire shares in companies, such as Joint Stock Companies (JSCs) or Limited Liability Companies (LLCs) operating in KSA, then the companies are not public bodies – even where a majority of ownership is by Government - and do not act in a public authority capacity.

Therefore, such companies will be viewed to be carrying on an Economic Activity similar to privately owned companies and will be subject to normal VAT rules in KSA.

Right to Deduct Input Tax

A Government Body will be able to deduct input tax if the purchases of goods and services are made for the purpose of carrying on an Economic Activity and in the course of making Taxable Supplies, Therefore, they are required to determine when they are making supplies beyond those that they have a statutory requirement to make in their capacity as a public authority

Conversely, VAT incurred on purchases made outside of a Government Body's Economic Activities, or Input Tax which is related to VAT exempted activities is not deductible as Input Tax.

To read the detailed aspects of guide please [Click](#) here to download the complete guide issued by Zakat and tax and customs authority in KSA.



Impact on Activities of Government Bodies

Where Government Bodies carry out the designated activities assigned to them by the State through the Law, Royal Decree or order establishing those bodies to carry out public functions, this does not constitute an Economic Activity and falls outside of VAT scope.

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