

Tax Newsletter



UAE Ministry of Finance (MOF) recently updated FAQs on Economic substance regulations (ESR)

MOF has updated the ESR Frequently asked questions (FAQs) on its website. Some of the new points, which have been included, are:

- Businesses are responsible to self-assess whether they undertake a Relevant Activity and have a filing requirement under the Economic Substance Regulations and cannot rely on Regulatory Authorities to inform them of their requirements under the Economic Substance regulations.
- In the absence of audited financial statements, businesses can submit unaudited financial statements or management accounts.
- There is no minimum income requirement or threshold. If you carry out a Relevant Activity you are required to submit a Notification. If you generate revenue from a Relevant Activity - even if that was just a single dirham - you are required to file an Economic Substance Report and demonstrate economic substance in the UAE.
- Businesses should keep relevant supporting information and documentary evidence on file and be ready to provide this information if and when asked by their Regulatory Authority or the Federal Tax Authority. At a minimum, information should be kept on file for a period of six years.
- If you submit a Notification claiming an exemption from the Economic Substance Regulations and this exemption is denied, you will be given 30 business days to submit your Economic Substance Report from the date the exemption claim was denied. Businesses that wilfully, knowingly and intentionally submit improper exemption claims may face penalties.
- A business is only considered a Holding Company Business if it does not undertake any other Relevant Activity. If you are a Holding Company Business but also undertake another Relevant Activity, you should select the other Relevant Activity when filing your Notification.
- Offshore free zone companies are subject to the Economic Substance Regulations in the same way as regular free zone companies or as a company established in mainland UAE.

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Bahrain: Updates in VAT guides

The National Bureau for Revenue (NBR) of Bahrain has recently updated below guides for value added tax (VAT):

- VAT General guide
- Imports and Exports VAT guide

Updates in VAT General guide:

- A new sub-section addresses details on requesting a review of an assessment issued by NBR.
- The fee for appeals to the VAT Appeals Review Committee has been specified.
- The mechanism for issuing VAT certificates (on request and payment of the specified fee) is introduced.
- Changes have been made to the measures on VAT agents and representatives and also the fee for becoming an authorized agent or representative has been specified.
- Details about determination of the place "most closely connected with a supply" have been added

Updates in Imports and Exports VAT guide

- It has been clarified if an amendment if made to the customs declaration and this amendment results in an overpayment of VAT, then VAT registered person can recover the amount of overpaid import VAT as input VAT in its VAT return
- And, persons who are not registered for VAT, they can make a claim for the overpaid amount directly from NBR



OMAN update on VAT registration:

In Oman businesses with revenue (actual or expected) in excess of 1million OMR can now apply for their VAT registration. Registration should be applied by 15th March 2021 and effective VAT implementation date will be 16th April 2021. VAT registration process started from 1st February 2021.

The Oman Tax Authority has stated that businesses that are resident in Oman with a valid commercial registration ("CR") can apply for VAT registration via the registration portal (tms.taxoman.gov.om/portal/web/taxportal/home).

Resident businesses that do not hold a valid CR, and businesses which are not resident and meeting the registration thresholds, must apply for VAT registration by completing an excel application form and submit this (with supporting documentation) to the Tax Authority via email (VAT@taxoman.gov.om).

In addition to above the businesses whose supplies or expenses exceed or is expected to exceed the threshold of OMR 19,250 may also register for VAT at any time from 1st February 2021 on a voluntary basis.

Bahrain Country by country reporting regulations



Following the recent ratification of the OECD Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports, Bahrain has now released the Country by country reporting (CbCR) regulations for multinational enterprises.

What is CbCR?

Large Multi-National Enterprises (MNEs) will have to provide an annual report that breaks down key elements of the financial and tax information relating to the global allocation of their income and taxes, among other indicators of economic activity, by each jurisdiction that they operate in.

CbCR in Bahrain

- Ministry of Industry, commerce and Tourism
- (MOICT) in Bahrain released Decision No. 28 of 2021 to introduce CbCR regulations from the financial year beginning on or after 1st January 2021
- CbCR regulations will apply to multinational enterprise (MNE) having consolidated revenues equal to or exceeding BHD 342 million in the preceding financial year (i.e. in year 2020).
- CbC notification will need to be filed by last day of the financial year (i.e. for year 2021 to be filed by 31st Dec 2021)
- CbC report will need to be filed within 12 months after the end of the financial reporting year (i.e. for year 2021 to be filed by 31st Dec 2022)
- MOICT will issue guidelines related to filing of CbC notification and report in due course. In line with standard OECD model, Cbc report content is expected to include financial information relating to revenues, profits/losses before income tax, income tax paid, income tax accrued, capital, accumulated earnings, number of employees, and tangible assets other than non-cash or cash-equivalent assets, along with details about business activities conducted and other disclosures and explanations provided by the MNE, with respect to each jurisdiction in which the MNE operates.
- Failure to comply with the CbC rules would result in the imposition of penalties.

KSA extends tax amnesty scheme until 30 June 2021



Kingdom of Saudi Arabia (KSA) issued the ministerial resolution extending its tax amnesty initiative (launched earlier in 2020) by an additional 6 months.

This would provide taxpayers with a full or partial waiver of Corporate Income Tax, withholding tax, Value Added Tax and Excise tax penalties up until 30 June 2021.

This will provide relief from fines as per below conditions:

TAX LIABILITY AMOUNT PAYMENT PERIOD	PENALTY WAIVER %
January 2021 – March 2021	100%
April 2021 – May 2021	75%
June 2021	50%

The tax amnesty scheme provides an opportunity for taxpayers to rectify any past omissions, errors or mistakes before June 30, 2021. Penalties already paid by the taxpayer prior to this resolution date will not be waived.

KSA General authority of Zakat and Tax (GAZT) has also published a guideline on this amnesty scheme extension, which provides clarification on the fines/penalties which are covered under this amnesty and conditions which needs to be met.

CONTACT

+971 4 354 2959
info@premier-brains.com
www.premier-brains.com

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