

Tax Newsletter



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UAE tax update: Reduction in Administrative penalties

Cabinet Decision 49 of 2021 has been issued to reduce penalties imposed for VAT and Excise Non Compliances by Federal Tax Authority ("FTA") under the earlier Cabinet Decision 40 of 2017.

Some of the key highlights of the new provisions:

- **Reduction in the penalties related to late payment of tax to FTA**
 - » (2%) of the unpaid tax due on the day following the due date for payment, upon late payment of the payable tax
 - » (4%) monthly penalty due after one month from the payment due date, and on the same date every month after that, on the amount of tax that has not been paid to date.
 - » There is no change in upper ceiling of 300%.

In case of voluntary disclosure (VD), late payment penalties shall only

be calculated as from 20 business days after submitting the VD

- **Relief for the outstanding penalties**

FTA has the right to reduce previously unpaid penalties to 30% of the total of such penalties under the new cabinet decision subject to following two conditions are met:

- Administrative penalties under previous legislation were imposed on registrant and it is unpaid.
- Taxable person has paid due and tax payable up to December 31, 2021 and also has paid 30% of the total unpaid administrative penalty up to December 31, 2021.

The new provisions will be effective 60 days as from April 28, 2021

▶ Click [link](#) to read our detailed blog published for this



UAE VAT public clarification related to VAT registration of sole establishments

UAE Federal Tax Authority ("FTA") has published revised public clarification VATP026 replacing VATP021. In this revised clarification they have included both **Natural and Legal person** instead of earlier clarification where they had mentioned only natural person.

This public clarification clarifies VAT registration obligation of

person in respect of its sole establishments and the term person refers to a natural or legal person.

A person owning a number of sole establishments should obtain only one VAT registration for all its sole establishments, and it is not permissible to register each sole establishment separately for VAT.

UAE Economic substance regulation update

Economic substance regulations (ESR) compliance is to be done for **every financial year**.

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).

For the financial year 2020, below deadlines are applicable:

- **ESR notification** (as applicable after conducting assessment of the transactions carried out in 2020/2020-21) needs to be filed within 6 months of end of financial year.

Financial year end	Due date of ESR notification (as applicable)
31 st Dec 2020	30 th June 2021
28 th Feb 2021	31 st Aug 2021
31 st Mar 2021	30 th Sept 2021
30 th June 2021	31 st Dec 2021

- **ESR report** (as applicable) needs to be filed within 12 months of financial year.

Financial year end	Due date of ESR report (as applicable)
30 th June 2020	30 th June 2021
31 st Aug 2020	31 st Aug 2021
30 th Sept 2020	30 th Sept 2021
31 st Dec 2020	31 st Dec 2021

As first step, companies need to assess the financial transactions conducted during the year and conclude if these fall within any of the relevant activities defined in the ESR law.

Once that assessment is made and concluded on the relevant activity, then the notification and report needs to be filed within the timelines otherwise there are penalties (AED 20,000 for failure to submit notification and AED 50,000 for failure to submit report) involved for compliance failure.



UAE VAT update – VAT Payment user guide for Commercial property buyers

UAE Federal tax authority has issued an updated user guide on "VAT payment for Commercial property buyers" in May 2021

Some of the key changes in the updated guide are as follows:

- As per the updated guide, either the buyer or seller can make the VAT payment whereas previously only the buyers were asked to make this payment

- Certain new fields (below) have been added for the details to be entered in the "Miscellaneous payment" box "Commercial property sale" section while making the payment:
 - » Land department transaction number
 - » Property sale amount
 - » Payment by – select buyer

or seller depending upon who will pay the VAT

- » Paying entity type – select if it is a legal person or a natural person
- » Paying entity name (English and Arabic)

Earlier, there was a field for Seller's TRN number to be entered; this has been removed now in the updated form.

UAE Excise Calculation of Average Retail Selling Price of Excise Goods in the Market

The UAE Federal Tax Authority (FTA) has published Decision No. 1 of 2021 on the mechanism for calculating the average retail-selling price of excise goods in the market.

Key highlights of this decision are as follows:

- It explains step-by-step procedures to be followed by a taxable person to calculate the Average Retail selling price of excise goods in the market for the purpose of identifying the Designated retail selling price as per Article 14(2) of

Cabinet decision no. 52 of 2019 (Excise goods, excise tax rates and methods of calculating the excise price)

- It also explains the procedures to be followed to calculate average retail selling price for excise goods not intended for retail sale in UAE:
 - a. Goods imported for the purpose of re-export
 - b. Or imported goods will be used in the production of a new excise good and original excise good is not sold for

retail purposes in UAE.

- c. Excise goods produced in the state for the purpose of being exported
- d. Excise Goods are produced in the State for the purpose of being used in the production of a new Excise Good and the original Excise Good was not sold for retail purposes in the State,

▶ Click the [link](#) to read the detailed cabinet decision

OMAN VAT update: VAT applicability for special zones

List of zones classified as Special Zones for the purpose of VAT

Below zones have been classified as Special Zone for the purpose of VAT by Oman Tax Authority (OTA):

- Special Economic Zone IN Duqm
- Free Zones located in Salalah
- Free Zones located in Sohar and
- Free Zones located in Al Mazyunah.

Registration for VAT

Any company or persons working in the special zone whose entire supplies of goods or services are taxable at zero-rate is required to apply for registration with the Tax authority.

Application can be made online through the electronic portal www.taxoman.gov.om

Below documents will be required to apply for VAT registration:

- a copy of the commercial registration certificate; and
- a copy of the license certificate issued by the relevant Special Zone Authority

▶ To read the conditions for zero-rated treatment of supply of goods and supply to or from or within the special zones click the [link](#) for our detailed blog.



Bahrain Economic Substance Regulations (ESR) – New online portal

Ministry of Industry, Commerce and Tourism (**MoICT**), has launched a new portal "International Tax Information Exchange System (**ITIES**)" for ESR reporting

MoICT has recently issued circular to all entities subject to the Economic Substance as per **Ministerial Order no. 106 of 2018** to file their Economic substance return through the ITIES Portal.

Entities subject to the Economic Substance as per Ministerial Order no. 106 of 2018

- a. Has to get registered on portal (ities.nbr.gov.bh) and
- b. File their Economics

substance return fully on the ITIES portal going forwards (within 3 months of the fiscal year-end)

Even the entities, which already filed their returns for the financial year-end 2020 earlier by email, they have to resubmit their Economics substance return through the ITIES portal.

As per latest update, MoICT has currently suspended the ESR submission portal till end of May 2021, to do some changes on the portal and it is expected that they will resume this shortly and timelines will be announced to the companies accordingly.

Oman Tax authority (OTA) has released procedures for VAT registration of Oman non-resident applicants

According to Article 2(4) of Oman VAT law, any person with no place of residence in Oman must appoint a Responsible person.

There is also option to appoint Tax representative in Oman.

In cases where it is not possible to appoint a responsible person or tax representative, non-resident person can register directly as well and specify a Responsible person who is a related person. It will also be required to provide bank guarantee in favor of OTA.

- Bank guarantee amount not less than 5% of taxable annual

supplies and valid for 1 year

- Must be issued from bank in Oman
- Must provide details of Oman bank account and pay tax due in Omani rials

VAT Registration requirements for Non-residents

- The person who has no place of residence in Oman and has a place of residence in any of the GCC implementing States, shall submit a Registration Application within thirty (30)

days from the date of meeting the regular registration conditions as per Oman VAT law

- The person who has no place of residence in Oman or in any of the GCC implementing States, shall submit a Registration Application 20 days prior to the beginning of the month in which the first supply takes place.

▶ Please click [here](#) to read our detailed blog on the procedures for registration.

CONTACT

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

OFFICE LOCATIONS

ABU DHABI BAHRAIN
 DUBAI INDIA
 KUWAIT OMAN

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