

# Tax Newsletter



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## UAE VAT updates

### Amended tax penalty regime

Cabinet decision No. 49 of 2021, which was issued, to amend the administrative penalties for VAT and excise non-compliances came into effect on 28<sup>th</sup> June 2021.

UAE Federal tax authority (FTA) released two detailed Tax procedures public clarifications:

Tax P001 - Amendments to the Penalties Regime

Tax P002- Redetermination of Administrative Penalties Levied Prior to the Effective Date of Cabinet Decision No. 49 of 2021

Tax P001 contains details of the amendments to the table of administrative violations and penalties in order to ensure correct application of these revised penalties. [Click here](#) to read our detailed blog on Tax P001.

Tax P002 contains the mechanism used to determine some of the penalties, which were imposed before the effective date

of the new penalty regime on 28<sup>th</sup> June 2021. [Click here](#) to read our detailed blog on Tax P001.

### Amendment to Tax procedures executive regulations

UAE Federal tax authority (FTA) recently issued a press release on right to apply for a reduction or exemption for Tax Law violation penalties.

There has been an amendment done to Tax procedures executive regulations via Cabinet decision No. 51 of 2021 which amends Article 26 (Reduction of Administrative Penalties or Exemption Therefrom) and clarifies following conditions to be met:

1. Person has an excuse that is acceptable to FTA
2. Availability of evidence that justifies the existence of excuse
3. The reduction or exemption application is notified to FTA within 40 business days from

the end of the acceptable excuse

4. Person must demonstrate that they have corrected the violation
5. The request for reduction or exemption is submitted to FTA in the specified form.

An excuse is not considered accepted if the act that led to the violation was deliberate.

FTA is expected to issue its decision to reduce or exempt administrative penalties within 40 business days from the date of receiving the application. Applicants shall be notified of this decision within 10 business days from the date of its issuance.

## Guidance on Mutual Agreement Procedures (MAP) in United Arab Emirates (UAE)

United Arab Emirates Ministry of Finance (MOF) issued guidance on the mutual agreement procedure (MAP) process which enables taxpayers to request assistance from the Competent Authority to resolve disputes arising from taxation not in accordance with the provisions of the relevant double taxation agreements.

The MAP is generally designed to:

- Relieve double taxation arising from transfer-pricing
- Resolve tax treaty-related disputes and issues in interpretation or application of a tax treaty.

Under the MAP, the taxpayer may request assistance if he considers being taxed or will be taxed not in accordance with a tax treaty. Once the taxpayer lodges his request, it is the Competent Authority, not the taxpayer, which will negotiate with the contrasting states to resolve the dispute.

MAP requests made to the Competent Authority will only be accepted if the issue relates to a jurisdiction with which UAE has a tax treaty, it is apparent that the actions of one or both jurisdictions resulted in or will result in taxation not in accordance with double taxation, and the taxpayer notifies MOF within the time limits specified.



The MAP request process as published by the MOF is as follows:

- The taxpayer submits a MAP request. The time limit for an application for MAP is 3 years (in most treaties) after receiving the first notification of the action giving rise to double taxation;
- MOF will notify the taxpayer and the contrasting Competent Authority after receiving the request within 30 days from the application and may ask for further information, if required;
- MOF will evaluate the eligibility of the MAP request and will notify the taxpayer whether it is accepted or rejected, stating the reasons thereof within 30 days after the necessary documentation is provided;
- If accepted, the UAE Competent Authority will commence the MAP discussions with the contrasting state. MOF will regularly update the taxpayer on the progress and outcome of the negotiations within 2 years from the date of MAP request application.
- If both Competent Authorities have reached a mutual agreement on the case, MOF will notify the taxpayer about the terms and conditions of the resolution. The taxpayer may accept or reject the resolution. In either situation, the MAP case would be closed by both Competent Authorities as resolved.
- If both the Competent Authorities were unable to reach a mutual agreement, the MAP case would be closed as unresolved.



## Oman VAT updates

### Oman VAT – Third phase of mandatory registration starts from 1<sup>st</sup> July 2021

As per the Decision No. 3/2021 from Oman tax authority, there was a phased approach set for the Mandatory VAT registration timelines in Oman:



Phase	Taxable Turnover (OMR)	Mandatory registration timelines	VAT effective date
Phase 1	Above 1 million	1-Feb-2021 to 15-Mar-2021	16 April 2021
Phase 2	From 500,000 upto 1 million	1-Apr-2021 to 31-May-2021	01 July 2021
Phase 3	From 250,000 and upto 499,999	1-Jul-2021 to 31-Aug-2021	1 Oct 2021
Phase 4	From 38,500 to 249,999	1-Dec-2021 to 28-Feb-2022	1 Apr 2022

Third phase of VAT registration in Oman is starting from 1<sup>st</sup> July 2021.

In this phase, businesses with annual taxable turnover between OMR 250,000 to OMR 499,999 must register on or before 31 Aug 2021, with the VAT registration to be effective 1 Oct 2021.

### Oman VAT return filing guide

Oman Tax authority has released the vat returns filing guide.

The first phase of VAT registrants in Oman who were registered from 16<sup>th</sup> April 2021 have their first tax period ending on 30<sup>th</sup> June 2021 and returns due to filed in July.

The guide contains detailed steps and process for preparation and submission of VAT return via the taxpayer's portal. The guide also includes vat return template and explanation of each of the boxes of the VAT return.

### Circular issued by Oman tax authority

Oman Tax Authority (OTA) has issued Circular (1/2021) for taxpayers regarding the details (as per the type of tax) which need to be included when they are making payment to the bank account of Tax Authority.

Tax type	Account number	Account name	Bank name	Details required
Income tax	1021-381912-001	Tax authority	National bank of Oman	<ul style="list-style-type: none"> <li>Tax payer's name</li> <li>TIN</li> </ul>
Excise tax	9700-071574-001	Tax authority	Ahli bank	<ul style="list-style-type: none"> <li>Tax payer's name</li> <li>CR number</li> <li>ExTIN</li> </ul>
Value added tax	1021-0348093-001	Tax authority	National bank of Oman	<ul style="list-style-type: none"> <li>Tax payer's name</li> <li>VATIN</li> </ul>

## G7 countries Global Minimum Tax Rate: Middle East Outlook

On 5 June 2021, the G7 Finance ministers agreed on a Global Minimum Tax rate of at least 15%. Under this proposal, the minimum 15% income tax will apply on multinationals' profits that are currently not subject to corporate income tax or subject to corporate income tax at a rate lower than 15%.

The intention behind this proposal is to discourage multinationals from shifting profits from major economies to low-tax countries regardless of where their sales are made. There has been an increasing trend where income in form of intangible sources such as patents, software and royalties on intellectual property is migrated to lower tax or no tax jurisdictions,

allowing companies to avoid paying higher taxes in their traditional home countries.

Countries in middle east such as UAE and Bahrain where there is zero income tax, will now need to evaluate the potential implications of this agreement including what their options are and how they might respond. The businesses operating in these countries will need to evaluate how they will be impacted under different scenarios. Some of the questions that might need assessment are,

- How would a tax rate work globally?
- Pros/cons of businesses operating in zero income

tax regions

- How the corporate income tax look like for companies in UAE and Bahrain where there is zero income tax, especially in freezones
- Impact on foreign direct investment due to these changes and will the global minimum income tax will end the tax competition?

A G20 meeting scheduled for Venice in July will see whether the G7 accord gets broad support from the world's biggest developing and developing countries. Any final agreement on these lines can have significant repercussions in low tax or zero tax countries.

## E-invoicing (FATOORAH) (KSA)

Zakat, Tax and Customs authority ("ZATCA") in KSA has published the e-invoicing guidelines and also FAQs to provide information on the technical requirements to be considered for the e-invoicing implementation.

E- Invoicing (Fatoorah) applies to all persons subject to VAT and any other parties issuing tax invoices on behalf of suppliers subject to VAT. They must use compliant electronic systems to generate invoices, as manual invoices will not be considered as compliant tax invoices. Non- resident taxable persons for VAT purposes are however excluded.

E-Invoicing will be implemented in two phases, Phase one which is known, as the "Generation phase" will be enforceable as of December 4, 2021. It will require taxpayers to generate and store compliant tax invoices and notes using compliant electronic systems with ZATCA requirements.

Electronic invoices issued in Phase one have the same requirements of current tax invoices, however in addition to the buyer's VAT number if VAT registered, the QR code may also be added optionally. However, for simplified tax invoices, the QR codes must be included in the E-invoice.

For phase 1, invoices must include the mandatory specified fields and must be issued from an electronic system meeting ZATCA's requirements. Also, all electronic copies of issued invoices must be stored by the tax payer.

Phase 2, which is called the "Integration phase", is enforceable from the 1st of January, 2023 and during this phase subjective taxpayers must comply with E-invoicing and the integration with the ZATCA's system. Taxpayers will be notified by ZATCA on the date of their integration at least 6 months in advance.

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