

# Tax Newsletter

## United Arab Emirate Tax Update

### Federal tax Authority issues a user guide on Economic substance Regulations Appeal:

#### Introduction:

This Guide assists Licensees in submitting an appeal request to the Federal Tax Authority related to Administrative Penalties levied concerning Economic Substance Regulations, along with below other services:

- Assists in submitting Appeal case.
- On method and ways to provide supporting documents.
- Indicates points to be taken care when submitting Appeal
- List of penalties based on Cabinet Resolution No 57 of 2020
- Time frame for appeal

Below are the Timeline related to different requests:

Sr	Classification/request status	Timeframe
1.	Submit for Appeal	(40) forty working days from the imposed date of the fine
2.	Issue a Decision of the appeal	(40) forty working days from the date of meeting all requirement
3.	Inform Licensee of the decision	(5) working days from the date of issuance of the decision
4.	Document Request by National Assessing Authority	(5) working days from the date of requesting documents (1)
5.	Final period to pay the fine	(40) Forty working days from date administrative penalty is levied

[Click here to read our detailed blog on ESR Appeal guidance.](#)

### Federal Tax Authority Adopts New Design for 'Digital Tax Stamps'

Federal Tax Authority has issued a Decision no 3 of 2021 on 30th August 2021 for "Implementing the Marking of Tobacco and Tobacco Products Scheme" which will come into effect from 1st October 2021

The new Stamps will replace the existing ones, which have been in circulation as of January 1, 2019, as per Cabinet Decision No. (42) of 2018 on Marking Tobacco and Tobacco Products, and in keeping with FTA Decision No. (3) of 2021, which will go into effect on October 1, 2021, formally adopting the newly redesigned 'Digital Tax Stamps

The new decision specifies the Excise Goods that it targets, namely all types of cigarettes, including electrically heated cigarettes, as well as waterpipe tobacco ('Mu'assel').

Moreover, the Decision specifies the dates for receiving orders of the Digital Tax Stamps with the new design, which include two categories. Below table includes details for the same.

Scope	Order open Date	Event
Local markets and duty- free markets - Arrival terminal	1 October 2021	Receiving requests for marks with the new design for local markets and duty-free markets - Arrival terminals
Duty-free markets-Departure terminals	1 January 2022	Receiving requests for marks with the new design for duty free markets Departure terminals

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## OMAN Tax Update

### VAT Return guide issued by Oman Tax Authority

Oman Tax Authority has recently issued VAT Return guide, Guide outlines the format of the VAT return and includes detailed explanations of the information required and the amounts to be reported in each box of the form

The VAT return format is bifurcated into 7 sections as mentioned below:

- Supplies in the Sultanate of Oman (Which includes 5%, 0%, exempt supply)
- Purchases subject to reverse charge mechanism (RCM)
- Supplies to countries outside of Oman (Export of goods or service)
- Import of goods
- Total VAT due
- Input VAT Credit (5%, 0%, exempt, imports)
- Tax liability calculation

### Also, complete guidance of the each field is provided in the guide Refund Process:

Guide has also mentioned the process for claiming a net VAT refund. If VAT return falls within the tax refund position then taxable person has option to carry forward the return and can adjust against the future VAT liability or taxable person can file refund via downloading the "Taxpayer Checklist" excel sheet from the Tax Authority's website [www.tax-oman.gov.om](http://www.tax-oman.gov.om). then Taxable person must complete the worksheet and attach it to the VAT return form along with all the relevant supporting documents.

The guide notes that the OTA will decide on the refund application within 30 days of receiving "all the relevant details and documents." Once the refund is approved full or partial refund will be paid to the taxpayer within 15 days after the date of notification of a decision on the refund request.

### Correction of VAT returns:

If a Taxable Person becomes aware of an error on a submitted return, a revised VAT return must be submitted within 30 days of the error or omission being discovered. The revised VAT return will be considered the original return.

A Taxable Person will not be able to revise a VAT return 3 years after the date of submission.

### Record Keeping:

All taxpayers are required to keep appropriate VAT records relating to their calculation of VAT for audit purposes. This includes any documents used to prepare a VAT return.

Click on the [link](#) to access the VAT return guide

### Real Estate Sector guide issued by Oman Tax Authority

Oman Tax Authority has recently issued VAT Real Estate guide in Arabic.

This guide covers the different supplies that will either be exempt, standard-rated, or zero-rated:

- Renting and sale of commercial property (including hotel apartments, stores, shops, and parking lots), First sale of residential property these will be considered as standard rated supply and will be taxed at 5%,
- Real estate located within free zones and special economic zones (according to the conditions specified in the law and regulation) these will be considered as zero-rated supply
- Resale of Residential real estate, Supply of Vacant undeveloped lands and Rental of real estate for residential purposes these will be considered as exempt supply

This guide provides the definition of real estate. Permanent fixtures/constructions (e.g. buildings not erected on a temporary basis), car parking, hospitals etc. are considered to be real estate. Temporary fixtures/constructions which can be moved/removed without damage, like temporary housing, equipment, furniture (not permanently attached to land), and mobile homes are not considered to be real estate.

### This guide also covers the following topics in a detailed manner:

- The supply of developed land is subject to 5% VAT, whereas supply of so-called undeveloped land is exempt from VAT. Also guide clearly mentioned that evaluation of tax treatment needs to be checked on case-to-case basis
- The resale of residential real estate is exempt from tax, while the first sale is subject to tax at the standard rate of 5%, VAT on expenses directly associated with the resale of real estate the supplier will not be able to deduct tax on these expenses through his tax return, but he has the right to deduct tax on costs related to the first sale of the residential property.
- The law does not exclude individuals who own real estate in the Sultanate from complying with its provisions. Therefore, individuals who engage in any economic activity such as renting or selling real estate must determine the extent to which they are subject to the provisions of the law.
- Input tax incurred on the construction costs of new commercial property is fully refundable, also When a taxable person bears construction costs residential apartment building, the value of the tax incurred on the expenses of that project will be fully recoverable on the basis that it relates to the first taxable sale at the standard rate.
- Input tax on a property used for both commercial and residential purposes, the taxable person must apportion the input tax to determine the amount of input tax he is entitled to deduct. In this case taxable person can take input tax credit for expense which is directly related to taxable supply, taxable person has to ignore that input tax related to exempt supply and common input tax has to be divided among both the supply.

## Kingdom of Saudi Arabia Tax Update

### KSA Government to bear VAT on private educational services for citizens

With Royal Decree No. A/86 dated January 6, 2018, the Government of Saudi Arabia mandated the state to bear the value added tax for citizens benefitting from the private education sector. Institutions should charge VAT but the burden to be passed on to the government.

On September 4, 2021, Zakat, Tax and Customs Authority (ZATCA) confirmed with its clarification that the state bears the VAT due on private educational services provided to citizens, which includes the value of tuition fees and the value of textbooks sold by private and international schools that are subject to tax and approved by the Ministry of Education.

The authority also confirmed that the educational services covered in the scope of the royal order include assistance provided by private universities (for bachelor's degrees) that fall under the supervision of the Ministry of Education. Moreover, educational and training programs supervised by the Technical and Vocational Training Corporation (TVTC) with more than two years of training period are equivalent to the corresponding and similar academic certificates.



ZATCA clarified that the mechanism for applying the state's tax liability is agreed upon between the authorities concerned with implementing the aforementioned royal order, stipulating that the tax on covered educational services shall not be collected from the citizens benefitting from them.

The educational institution should verify the applicability of the royal order to the recipient of services and issue a tax invoice to the Saudi citizen without VAT, including the national identity number and his contact information.

The educational institution should declare the value of the supply included in the scope of application of the royal order within the field designated for it in the declaration.

ZATCA called on the public to report via its website ([zatca.gov.sa](http://zatca.gov.sa)) any violations detected regarding this.

## Bahrain Tax Update

The National Bureau for Revenue (NBR) has recently added a new section regarding conciliation in cases of VAT evasion crimes to the Technical FAQs published on their website below are the summary of the same.

### Meaning Conciliation in VAT evasion crimes

Conciliation is a measure to settle crimes related to VAT evasion between NBR and the accused. This is done through the submission of a Conciliation request to the agency through the accused or their agent along with the payment of necessary amounts to complete the Conciliation procedures.



### Effects of Conciliation in VAT evasion crimes

Conciliation in VAT evasion crimes leads to cancellation of the criminal case by the criminal courts.

### How to Submit request for Conciliation in VAT evasion crimes?

For submitting the Conciliation request, a request form needs to be submitted to the NBR using email [inspections@nbr.gov.ae](mailto:inspections@nbr.gov.ae)

### Timeline for submission of request for Conciliation

The request for Conciliation must be submitted prior to the criminal case being filed or when being considered by the criminal courts. If a final judgment has been passed for the case, it is not possible to file a request for Conciliation.

### Post submission of request for Conciliation in VAT evasion crimes

The request for Conciliation is then reviewed by the National Revenue Authority and provides the following response to the accused or the representative:

- Accept the consideration leading to the accused paying necessary amount to complete the procedures;
- Refuse the consideration leading to criminal case proceedings against the accused to begin.

### Amounts to be paid to complete Conciliation procedures

After the reviewal of the consideration and response from the National Revenue Authority, the accused would be required to pay the below amounts:

- Amount of VAT evaded
- Amount prescribed as penalty for VAT evasion

## Media reports on Bahrain VAT Rate Update

There have been media reports that Bahrain is expected to increase the VAT rate from 5% to 10% from 1st Jan 2022. It was mentioned in the reports that this planned increase is part of the efforts to curb the deficit following the Covid-19 pandemic impacts on the economy.

There has not been any official announcement yet by the Bahrain National Bureau of Revenue (NBR).

If the VAT rate increase is implemented by Bahrain, businesses will need to start assessing the impacts on their cash flow, updates required to the contracts, ERP system, transitional rules etc.

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