

TAX NEWSLETTER

Monthly Updates on Tax

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UAE - Corporate tax

On 31st Jan 2022, UAE Ministry of finance (MOF) made the announcement of introduction of Corporate tax on business profits that will be effective for financial years starting on or after 1st June 2023.

Effective date of Corporate income tax (examples) :

Financial year 1st July 2023 – 30th June 2024	UAE CT effective from 1st July 2023 (which is the beginning of the first financial year that starts on or after 1 June 2023)
Financial year 1st Jan 2023 – 31st Dec 2023	UAE CT effective from 1st Jan 2024 (which is the beginning of the first financial year that starts on or after 1 June 2023)

Though the law has not been issued yet, MOF has updated FAQs on its website to provide some initial information on the UAE CT regime.

Scope and exceptions

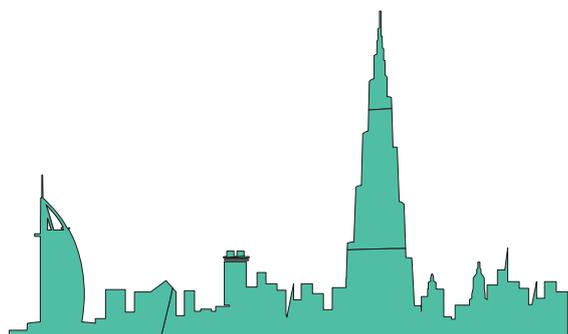
The corporate tax will apply to all persons (individuals and legal persons) carrying out commercial activities, except for the extraction of natural resources, which will remain subject to Emirate level corporate taxation.

Freezone entities complying with all regulatory requirements and if they do not conduct business with UAE mainland can continue to benefit from corporate tax incentives currently being offered to the freezone businesses. However, they will still be required to register and file CT return. The tax authority will release more information on compliance obligations of freezone entities.

Tax rates

- 0% CT rate for taxable income up to AED 375,000 and 9% CT rate for taxable income above AED 375,000;
- Different tax rate for large multinationals (consolidated global revenues in excess of EUR 750m (c. AED 3.15 bn)) that meet specific criteria set with reference to 'Pillar two' of the OECD Base Erosion and Profit Shifting project;

[Click here](#) to read our detailed blog on the key highlights of Corporate tax in UAE.



UAE Tax Procedures Public Clarification

UAE Federal Tax authority (FTA) published the Tax Procedures Public Clarification TAXP004 on Redetermination of Administrative Penalties levied prior to the Effective Date of Cabinet Decision No. 49 of 2021. This replaces the previous public clarification TAXP002.

Below are the key highlights:

The Cabinet Decision No. 49 of 2021 and Cabinet Decision No 108 of 2021 gives the FTA ability to redetermine the amounts of unsettled payable administrative penalties, which were imposed on registrants on the basis of the penalty rules listed in Cabinet Decision No. 40 of 2017.

Cabinet decision 108 of 2021 actually extended the period to 31st Dec 2022 within which a registrant can benefit from the penalty redetermination.

To benefit from redetermination, all of the following conditions have to be met:

1. Any of the administrative penalties set out in Cabinet Decision No. 40 of 2017 have been imposed on the person before 28 June 2021;

2. The person has not settled all the administrative penalties imposed on the Person as per Cabinet Decision No. 40 of 2017 in full before 28 June 2021.

3. The taxable person has undertaken any of the following:

- Settling the following amounts by 31 December 2021:

- All payable tax up to 31 December 2021, regardless of whether such tax was payable before or after 28 June 2021; and

- 30% of the total unsettled administrative penalties referenced above which were imposed before 28 June 2021.

- Settling the following amounts by 31 December 2022:

- All payable tax up to 31 December 2022, regardless of whether such tax was payable before or after 28 June 2021.; and

- 30% of the total unsettled administrative penalties referenced above which were imposed before 28 June 2021.

Where the above conditions are met, the FTA will, redetermine the amount of administrative penalties payable and not settled by 28 June 2021, to equal 30% of that unsettled part. Hence, the person shall not be required to pay the remaining part (i.e. 70%).

Redetermination of Penalties on the Registrant's Account

Once the above conditions are met, FTA will reflect the redetermined penalty on the qualifying registrant's e-Services account within 30 business days of 31st Dec 2021 or 31st Dec 2022 (depending on when the registrant satisfied the conditions).



UAE - Update on New Cabinet decision No 105 of 2021 (Penalty waiver and Penalty installments)

Recently a new Cabinet Decree No.105 of 2021 has been issued in UAE related to waiver and installment of administrative penalties.

This new cabinet decision will be effective on 1st March 2022.

Under this law, taxable person can apply for the installments for the payment or waiver in full or part for the administrative penalties.

[Click here](#) to read our detailed blog on the key highlights of this cabinet decision.

Oman - VAT Taxpayer guide on oil and gas industry

Oman tax authority (OTA) recently issued a guidance document to provide understanding and for the application of VAT law in the Oil and Gas industry and also to clarify important practical aspects for the industry in Oman.

[Click here](#) to read our detailed blog on the key highlights of the points covered in the Oil & gas VAT guide.

Primarily, as per the Article 51(7) of the Oman VAT law, the supply of oil, oil derivatives and natural gas are subject to vat at zero-rate (0%) in accordance with the limits, conditions and circumstances determined by the Regulations.

Bahrain - NBR clarifies on the treatment of VAT on Crypto currency.

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In January 2022, National Bureau of Revenue ("NBR") in Bahrain updated their VAT guide on financial services to include a section on Crypto currency transactions.

Bahrain recognizes four types of Crypto assets/tokens and following is the VAT treatment applicable to them:

1. Payment tokens:

Payment tokens (such as Bitcoin) are virtual currencies intended to be used as a means of payment for acquiring goods or services or as a means of money or value transfer.

- Mining is not an economic activity and tokens received by the Miners from their Mining activity are considered as outside the Scope of VAT.
- The exchange of tokens for legal tender or other tokens, and vice versa, are considered as supplies of financial hence, it is exempt from VAT.
- Using tokens to acquire goods or services does not result in a supply of the token, and is outside the scope of VAT.
- The supply of goods and services remunerated in payment tokens should be treated in the same way as those remunerated in traditional currencies, and should follow the treatment set out in the VAT Law and Regulations.
- The Taxable amount of a transaction is the consideration received by the supplier. If this is expressed in payment tokens, the Taxable amount should be the equivalent amounting Bahraini Dinar at the time of the transaction.
- Any charges above the value of the payment tokens are exempt from VAT unless expressly determined as a fee, commission, commercial discount, etc.

The Exchange rate to be used for VAT compliance for above mentioned scenario will be published on the CBB Website.

2. Utility Tokens

Utility tokens are tokens that are intended to provide access to a specific application or service, but are not accepted as a means of payment for other applications.

3. Assets Tokens

Asset tokens represent assets, such as a debt or equity claim on the issuer.

These are considered as supplies of financial services and are exempt for VAT purpose, unless supplied for an additional explicit fee, commission or commercial discount above the market value of the token, in which case they will be supplies subject to VAT.

4. Hybrid Tokens

Hybrid tokens are those that have features of one or more of the other three types of tokens.

The VAT treatment of such tokens needs to be determined on a case-by-case basis, and, depending on the specific circumstances, may be a single composite supply or multiple supply of goods and/or services.

In all cases mentioned above, exempt supplies are capable of being zero rated under Article 73 of the VAT Executive Regulations.



KSA – VAT Guideline for Construction Sector

In the Kingdom of Saudi Arabia (KSA), the Zakat, Tax and Customs Authority (ZATCA) has published a new guideline on the construction sector providing further clarifications on the implications of VAT in the services related to the sector.

The key clarifications published in the guideline are as follows:

- The tax due date in special cases has been linked to the date of issuance of the completion certificate. This implies that tax due date shall be the earlier of the date of payment, invoice or issuance of completion certificate. However, for government contracts, the tax shall be due on the earlier of the date of payment issuance to the supplier by the government agency, or on the date of receipt of the consideration.
- VAT shall be applicable on the invoice amount regardless of payment made by the recipient.
- Specific conditions have been provided for treatment of guarantee/security deposits as outside the scope of VAT. VAT becomes due if and when the amount becomes available for use by the supplier.
- In case of liquidated damages, where the amount is to be adjusted from the contract, the supplier has to issue a tax credit note and reduce the value of supply as per the tax invoice issued earlier. However, where the supplier is required to pay an amount for actual damages to the customer, such payment will not be treated as an adjustment to the value of the contract.



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