

# TAX NEWSLETTER

## Monthly Updates on Tax

### UAE - Abu Dhabi General Administration of Customs launches advance ruling tool for classification and rules of origin

The concept of advance rulings arose as a result of the faith of country's leadership in digital transformation and in compliance with the provisions of the World Customs Organization and the World Trade Organization. The advance ruling tool is basically an innovative electronic system managing advanced ruling decisions. It manages customer requests, specifies the time frame within which the advance ruling will be issued, saves and archives the decisions obtained prior to the import process through the various ports of entry in the emirate of Abu Dhabi and speeds up the movement of goods by reducing customs clearance time.

### UAE - FTA Publishes Guide on obligations for Tax Payers under U.A.E. Vat regime

The FTA has issued a guide to summarise various obligations for businesses as prescribed under U.A.E. VAT Regime.

The publication includes guidance on VAT registration, Tax Rates, record retention requirements, tax groups, blocked input Tax and so on.

To access the guide please click on this [link](#).

### UAE - FTA has launched 'Raqeeb' initiative for Whistle Blowing

The FTA has launched a Whistle Blower programme for reporting Tax violations and evasions. The initiative is aimed to raise Tax Compliance and enhance confidence in the Tax systems. Eligible Informants under the programme are entitled to a monetary rewards.

For more details refer to our detailed Blog through this [link](#).

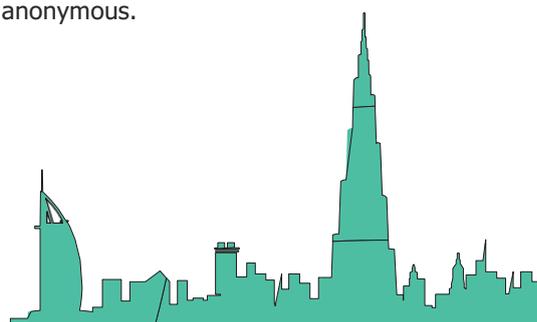
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### UAE - Ministry of Finance has issued a consultation draft on the Upcoming U.A.E. Corporate Tax Law

The U.A.E. Ministry of Finance has issued a consultation draft for business and other stake holders to be a part of the implementation of the U.A.E. CT regime to ensure that the U.A.E. CT regime is compatible with U.A.E's business requirement.

The ministry of finance is accepting feedback on the consultation form on the public consultation draft by May 19,2022 using the [following link](#). The move is aimed to receive feedback to reduce compliance cost, complexity and improve certainty for both businesses and tax administration. Submissions made will stay anonymous.



## UAE - Role and Usefulness of the Virtual Trade Corridor in Trade (UAE and Kuwait)

A Memorandum of Understanding (MoU) was signed between Abu Dhabi Ports Group and Kuwait General Administration of Customs for Virtual Trade Corridor between UAE and Kuwait. This Virtual Trade Corridor will help in simplification and facilitation of cross-border trade with the help of new policies, procedures and systems integrations, enabling customs authorities with access pre-arrival information for international cargo movements, making cross-validation of information significantly faster and promoting pre-clearance of goods, with perishable goods transported using accelerated procedures, leading to reduction in the waiting time at borders.

Along with fast-delivery benefits towards perishable goods and transportation, many safety and security benefits will improve visibility for authorities over any possible risks associated with movement of goods between the two nations, as well as reduction in the inspection rate and simplification of procedures for authorization holders. This will benefit both UAE and Kuwait as they both have exceptionally promising markets.

## Oman Tax Authority (OTA) Issues Guide for Tax Payers in the Financial Sector

A VAT Guide had been issued by the Oman Tax Authority (OTA) which discusses on the additional interpretation and guidelines for applying the VAT Law and its corresponding Executive Regulations to the financial services sector.

The Publication provides guidance on key areas for entities operating in financial services sector such as Registration, Place of Supply rules, transition provision, rules regarding availing input tax credit composite supplies and so on. Furthermore, it also covers VAT treatment of various Islamic finance products.

Some of the Key highlights are:

### Exempt Supplies:

The exemption from VAT is available only to financial services provided by financial institutes licensed by central bank of Oman or any other competent authority. This exception is not available where the payment of consideration is as a fee, commission or commercial discount.

### VAT treatment of Insurance Services

Life insurance and Life re-insurance contracts that are lawfully entered and licensed by relevant body in Oman will be eligible for exemption from VAT. Compensation which are in the nature of explicit fees (such as admin fees, management services etc.) are not covered under the scope of exemption. Settlement made by insurers in respect of insurance claims are outside the scope of VAT.

### Registration for Non-residents:

Non-Resident financial service providers who merely has an Omani -resident customer or client who is not registered for VAT are not automatically obliged to register for VAT.

Non-resident person with fixed establishment is treated as resident in Oman and will be subject to Oman VAT requirements.

### VAT treatment of Islamic financial services

The providers of Shariah-compliant finance frequently enter into contracts to acquire and sell taxable commodities, the guide provides that VAT should be applied in a way that results in the same conclusion as non-Shariah products with an interest or margin charge. As a result, the implicit profit made by Islamic financing providers on these goods should be seen as the result of an exempt supply. If a contract for financing is granted to a non-resident, the profit earned may instead be subject to zero-rate VAT if it fits the standards for service export.

### Recoverability of Input VAT

Input Vat incurred for making exempt supplies is not eligible to be recovered. Suppliers who are making taxable and exempt supplies are required to apportion their input tax credit. The guide includes details on the methodology for input tax apportionment calculation.



## OECD releases technical guidance on Pillar Two Model rules for 15% Global Minimum Tax

On March 14, 2022 the OECD/G20 Inclusive Framework on BEPS issued technical guidance on the 15% global minimum tax agreed in October 2021 as part of the two-pillar solution to address the tax difficulties stemming from the digitization of the economy. The Commentary elaborates on the application and operation of the Global Anti-Base Erosion (GloBE) Rules, which were agreed upon and released in December 2021. The GloBE Rules provide a coordinated framework ensuring that a minimum of 15% tax on income generated is paid by the Multinational Enterprises (MNEs) with revenues over EUR 750 million in each of the jurisdictions where they operate.

The new Pillar Two model regulations will aid countries in incorporating the GloBE guidelines into national legislation, providing forth a mechanism for calculating an MNE's effective tax rate on a jurisdictional basis, estimating the amount of top-up tax payable under the rules and imposing the top-up tax on a member of the MNE group in accordance with an agreed rule order.



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