

# TAX NEWSLETTER

## Monthly Updates on Tax

### UAE - FATCA and CRS Reporting Compliance

Foreign Account Tax Compliance Act ("FATCA") is a United States ("US") federal law with a global outreach aimed at curbing offshore tax evasion by US persons. It was enacted by the US in 2010. FATCA requires Financial Institutions outside the US referred to as Foreign Financial Institutions ("FFIs") to report information on financial accounts held by US persons.

Following on from FATCA, the Organization for Economic Cooperation and Development (OECD) has formed an initiative for global tax transparency known as the Common Reporting Standard (CRS). CRS requires financial institutions resident in a participating jurisdiction to identify and report any reportable accounts.

For more details refer to our detailed Blog through this [link](#). FATCA and CRS reporting compliance need to be done on an annual basis.

Recently, UAE Ministry of finance has come up with a new platform (<https://fatcacrs.mof.gov.ae/#/>) wherein reporting financial institutions need to register and submit their FATCA/CRS reports.

The timeline for filing for the financial year ended 31st Dec 2021 is 30th June 2022.

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# Oman Tax Authority (OTA) Issues Guide for Capital assets adjustments

A VAT Guide had been issued by the Oman Tax Authority (OTA) of Oman which discusses on the Application of the provisions of the Value Added Tax Law and its executive regulations related to the purchase and use of capital assets.

The Publication provides guidance on key areas such as input tax deduction on initial acquisition, adjustment for change in use, sale of capital asset, administrative practice and assignment of capital assets for other than business activity etc. Some of the Key highlights are as below:

## Scope and Value of Capital Assets:

Capital assets includes tangible and Intangible assets of the Business which forms a part of the business of Taxable Person that is intended to be used as a Commercial instrument or as an investment vehicle which are expected to be used for long-term.

The value of tangible is determined by capitalized expenditure as permitted under the applicable accounting standards, it includes expenses necessary to make asset available for use such as purchase price, import duties and transportation cost.

## Input Tax Credit:

Input Tax Credit incurred by a Taxable person on acquisition of Capital asset is available for deduction at the time it is incurred if at the time acquisition the asset is intended to be used in making Taxable Supplies.

## Annual Review in case of Change in use of asset:

The input tax deducted at the time of purchase of the capital asset must be reviewed over its useful life (adjustment period) and amending it if the nature of the taxable use changes.

At the end of each tax year during the adjustment period, the use of capital assets must be reviewed. If there is any change in the nature of the taxable use, an adjustment will have to be made.

## Sale of Capital Asset

The Sale or disposal of Capital asset indicates completion of the use of the asset in the business and the end of its useful life. The supply of capital assets used by the person will be subject to tax based on the prevailing rates for that asset.





## NBR in Bahrain issues Implementation Milestones on Cigarette Products

The National Bureau of Revenue (NBR) revised the implementation dates of excise digital stamps scheme on tobacco and tobacco products.

- ▶ Receiving digital stamp orders - All Cigarette products imported at customs from **July 17,2022** must have digital stamps.
- ▶ Local implementation - No Cigarettes can be sold in Local market without digital stamp w.e.f. from **October 16,2022**.

## Public Consultation document issued by ZATCA on VAT recovery by Licensed real Estate Developers

ZATCA have issued a public consultation document on draft rules and procedures relating to Input Tax recovery by qualified / licensed real estate developers on goods and service purchased by them in relation to their exempt supply of real estate.

These were published on 11 May 2022 and stakeholders were asked to share their feedback on the draft amendments by 25th May 2022.

The draft procedures included mainly areas such as application process, exceptions , refund treatment for properties owned by Ministry of housing, refund frequency, in what cases refund application can get rejected etc:

## KSA - ZATCA issued interactive guidelines on e-services

Zakat, taxes, and customs authority ("ZATCA") has recently issued Interactive guidelines on E-services available on ZATCA portal. This guide has been issued to help tax payers to understand the services available on ZATCA Portal and to provide steps of procedure to be performed for their transactions, and pay taxes without facing any difficulties.

This guide provide detailed steps to be followed for the mainly following services:

1. Registration
2. Amendment of registration
3. De-registration
4. Filing a tax return,
5. Payment and refunding,
6. Certificate request,
7. Objections submission and request for ruling.

Also, each section for different services contains following details:

1. Service description
2. Beneficiary of the service.
3. Requirements to make the service request
4. Direct Link to that service
5. Description of the different channels such as Website, Mobile application to access that service
6. Time required to complete the service from ZATCA's end

Click on the [Link](#) to access the guide issued by ZATCA



# Withholding Tax under the Double Taxation Agreement

The Zakat, Tax and Customs Authority (ZATCA) issued a circular to provide guidance on Double Taxation Agreement (DTA) signed with Foreign Countries with respect to Withholding Tax (WHT) applicable to non-residents receiving payments from a source in the Kingdom of Saudi Arabia (KSA) and made by KSA resident Tax Payer or a Permanent Establishment ("PE") in KSA.

## Procedures for application of DTA

- ▶ The tax payers should assess whether they are covered under the scope of such DTA and the conditions and eligibility of such DTA's are fulfilled.
- ▶ In case DTA provides Tax relief, Tax payers should assess whether they are eligible to claim relief at source or for a refund
- ▶ Upon completion of initial assessment, the tax payer should follow the following procedures for claiming reliefs.

### Applying for "Benefit at source":

The tax payer responsible for withholding tax can apply for a reduced WHT rate or exemption on payment to non-residents on ZATCA portal and submit the required documents and forms (such as TRC, form Q/7B) along with an undertaking to settle any tax amounts or penalties due on the non-resident beneficiary due to false or wrong information. ZATCA will acknowledge receipt of application and upon review it will either approve or reject the application. The time limit for filing the application is 5 years.

### Applying under refund approach:

The tax payer is required to withhold the tax first and subsequently make an application for refund along with all the required documents (such as TRC, Form Q/7B, copy of WHT return, and other undertaking and authorization letters). Upon receiving the application ZATCA will review the application and documents approve or reject the application. If the authority approves the application, the refund will be transferred to the bank account of the resident taxpayer withholding the tax.

## Application of WHT under KSA DTA's

KSA has signed DTA's with around 55 countries. Tax Payers needs to assess the application of DTA's in addition to the domestic law in order to determine the Tax treatment of eligible type of income. The guide further outlines general interpretations and approach followed by ZATCA regarding allocation of taxing rights in relation to different incomes under DTA's such as:

- ▶ Business profits – Taxing rights of business profits derived by non-resident would be with his resident state unless there is PE in KSA
- ▶ Income from immovable property – if payments under this category such as rent payment made from KSA resident to non-resident then right to levy tax will be assigned to KSA i.e. where property is located
- ▶ International shipping and air transport – shall be taxable only in the State where the enterprise is a resident or where the place of effective management is situated
- ▶ Dividends – where is case of double taxation i.e. the recipient qualified as the beneficial owner and regardless dividends are taxed in this resident state or not, the source state may provide tax relief
- ▶ Royalties – royalties would be subject to tax in the resident state. It may also be subject to tax in the source state. However, where royalties are subject to tax in the source state, a maximum rate will be determined as per the DTA.

The guide also includes details on income from debt claims, fees for technical services, independent personal services and Directors' fees.

**“ Always Doing  
The Right Thing ”**

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