

Monthly Updates on Tax

IN THIS EDITION

UAE - Guide on Excise

The Federal Tax Authority ("FTA") has published a public clarification to provide the guidance on excise goods, which are deficient or missing and the process for the destruction of Excise goods within a Designated zone.

The key highlights of this public clarification are as follows:

Excise goods that are considered wastage or are deficient when located within a designated zone will be treated as released for consumption and therefore will be subject to excise tax. However, as an exception, goods will not be considered to be released for consumption where:

- › Warehouse keeper notifies FTA within 30 days of discovering the deficiency in stock or shortage in quantity. This notification is given through a form on the e-services portal – Lost and Damaged declaration EX203B; and
- › Shortage or deficiency is due to a legitimate cause accepted by FTA

Where these conditions are met, taxable person will not be required to account for excise tax on deficient or missing goods.

- › Where goods require destruction, such destruction must not occur until permission obtained from FTA because FTA may want to inspect the goods. Also, the destruction request to FTA should include approval from relevant authority i.e. customs or municipality

FTA has also allocated a dedicated email id deficiencyandshortage@tax.gov.ae to provide any additional information requested by FTA

Declaration through form EX203B must be submitted by the taxable person which owns the goods, following which it will be automatically sent to warehouse keeper of designated zone for approval. Both process of submission by taxable person and approval by warehouse keeper should be completed within 30 days time period.

FTA will accept below reasons as legitimate cause for deficiency or shortage:

- › Force majeure – i.e. circumstances beyond control such as fire, theft etc.
- › Natural wastage and shortage – i.e. unintentional spoiling, unfit for consumption, deficiency caused by storage conditions
- › Wastage or shortage in course of production – where wastage is within expected allowable threshold.

Proper supporting documentation relating to the legitimate cause should also be included such as police report, insurance claim report, records of expiry dates, inventory reports etc.

FTA will respond to the declaration request within 30 days and will determine whether cause is legitimate and whether any inspection required.

UAE - Public clarification on Gold – Making charges

The Federal Tax Authority has published a public clarification to provide the guidance on the application of the VAT legislation with regards to making charges received by gold jewellers.

The key highlights of this public clarification are

- Tax registrants supplying gold are not required to impose VAT on the supply of gold and products which mostly consist of gold if below conditions are met:
 - Recipient is VAT registered
 - Supplier retains a written declaration from the recipient that gold items will be used to produce other gold items or to re-sell gold items received
 - Recipient shall account for VAT on the gold items supplied

In such cases, VAT in respect of the gold is accounted for under a special reverse charge mechanism, which requires the registered recipient to account for VAT on the supply instead of the supplier. Also, in this clarification FTA has clarified the VAT treatment on following cases.

- When gold price and making charge are shown separately on the tax invoice- in this case VAT will be applied on Service component only
- When both are reflected as a total price. -the supplier needs to consider whether the supply constitutes a single composite supply of a Gold Item or multiple supplies

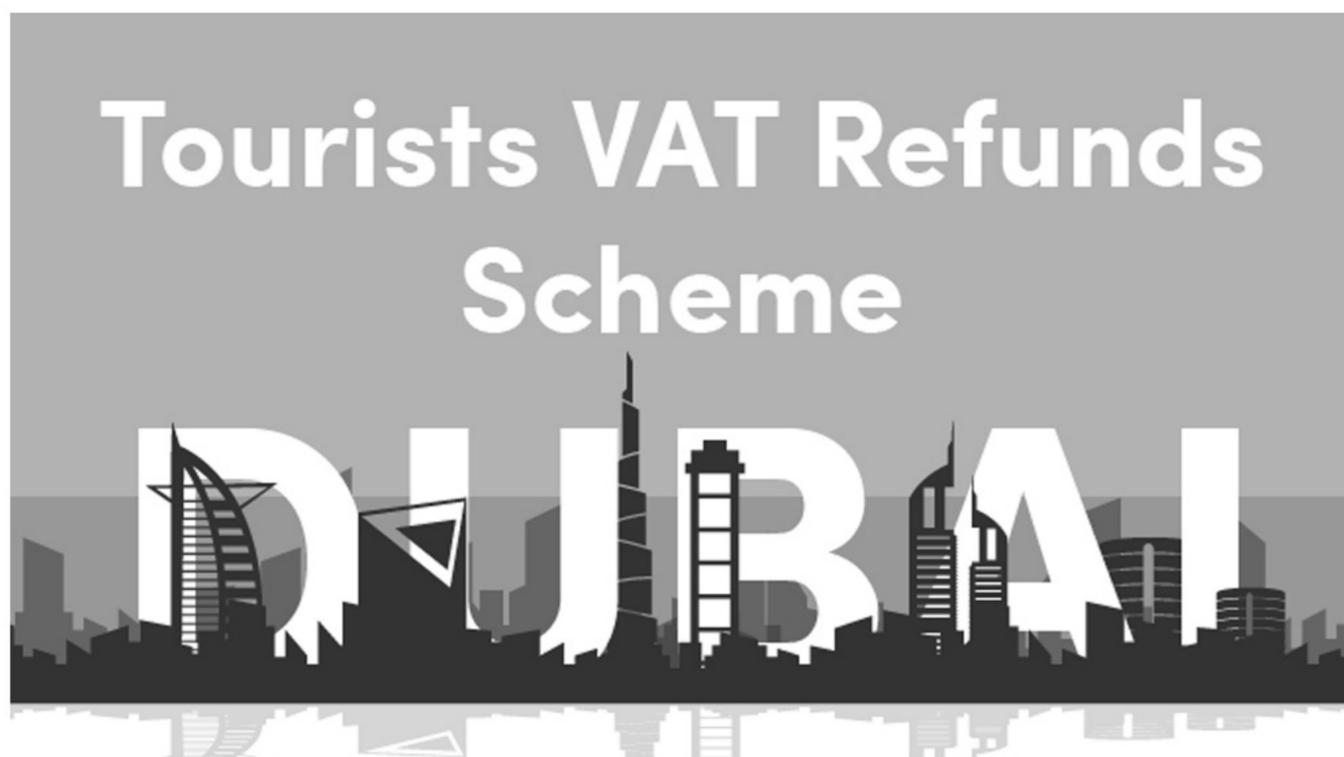
To read our detailed blog in the clarification issued by FTA please click on the [link](#).



UAE - Tourist scheme related decision

Federal Tax authority has recently issued Decision 4 of 2022 for Setting the Time Limit for Claiming Refund of VAT by Tourists. Following are the key points of the decision

- One year time limit has been set up for tourists to claim the refund of Value Added Tax through bank card or by cash, from the date of verification of the refund request.
- If Tourist does not claim the VAT refund within in one year in such that case operator of the Tax Refunds for Tourist Scheme has to deposit the unclaimed amount to FTA within 1 month from expiration of the time limit of 1 year
- This decision will be effective from 1st June 2022



OMAN VAT Taxpayer Assistance on Exports and Imports

The vat guidance is relating to the exports and imports of Oman vat and it will help to Executive regulations. Oman tax authority (OTA) issued a new Taxpayer assistance in this June 2022 on application of VAT on exports and imports. In that Guide mainly covers the following topics and provide more details.;

- > Date of Supply of imported goods
- > Declaration of customs
- > Re-import of goods temporarily exported for repairs, processing, etc.
- > Re-export of goods temporarily imported for repairs, processing, etc.
- > Exemption for imported goods
- > For import VAT postponement
- > Suspension of customs duties
- > Taxable persons receipt of imported services
- > Non - taxable persons receipt of imported services

Also, the guide covers the following clarification and certain procedural aspects which can help taxable person to understand provision better.

Amendment of the customs declaration (Bayan) Guide provides the process to be followed to inform to authority if there is discrepancy between VAT Paid at Import and on Bayan document.

Supply of goods in departure areas at airports and ports:

Guide has clarified that if the goods is sold from Duty Free zone on Airport/port to traveler going outside Oman, then in such case those goods are subject to zero rated VAT, seller has to check the proof such as Boarding pass, passport or Identity card.

Exports to and imports from the GCC member states:

Currently GCC member state has not implemented and electronic system and not entered into agreement so the Import to Oman and export from Oman to GCC country will have same treatment which taken for Non GCC country.

Applicability of VAT on sale of goods in the course of import/export:

If the exports happen before the clearance of goods from custom, then it will be considered as outside scope of VAT

If the exports happen after the clearance of goods from custom, then it will be liable for Zero rated VAT

Determine the actual customer in case of export of services:

Guide has clarified that in case of export of service, supplier must identify the beneficiary of service, this person may be him self or a different person that is not mentioned in contract. So, if supplier invoice to person located outside Oman, but actual beneficiary of service is Oman then in such case service would not qualify for Zero rated.

The two phases of E-Invoicing

Generation/Creation Phase:

Being introduced on December 4, 2021, it requires taxpayers who are subject to the E-invoicing Regulation to stop the generation and usage of paper invoices by hand or electronic invoices created using text editing software. A technical solution for E-invoicing that complies with the requirements along with creation and storage of E-invoices with the necessary information, the QR code as well as other specifications must be ensured.

Integration Phase:

Will be introduced on 1 January 2023 applicable to the first group of selected taxpayers.

Following are the additional needs required from the Generation/Creation Phase of E-Invoicing for the Integration Phase

- 1) Integrating between the ZATCA system and the taxpayers' billing systems
- 2) In addition to some other elements that will be visible on the printed copy of the E-Invoice, issuing E-Invoices based on a specific format includes a number of additional elements in the E-Invoice XML file (such as UUID, hash, cryptographic stamp, etc.) that will be rolled out as part of the integration phase.
- 3) According to ZATCA, the integration phase will be carried out gradually and in groups, a notification will be given to all ensuing groups at least six months prior to the deadline set for connecting their systems with ZATCA's.

KSA - Electronic Invoicing - Integration Phase - First Group Updates - 1

In Brief

The Zakat, Tax and Customs Authority (also known as "ZATCA") released further clarification on the phase 2 of electronic invoicing (also known as "E-Invoicing") on June 24, 2022. According to the announcement, the first set of taxpayers would consist of those who earned more than SAR 3 billion in the calendar year 2021.

The first set of the chosen taxpayers will be notified by ZATCA in due course, and they will be expected to put the necessary requirements into practice in order to link their billing system with that of ZATCA's. According to ZATCA, the first wave of selected taxpayers will start using the E-invoicing project's Phase Two (Integration Phase) on January 1, 2023.

KSA - Exemption from Fines and Financial Penalties Initiative

In Brief

An initiative to exclude or eliminate fines and monetary penalties enforced on taxpayers on account of failure to comply with numerous procedural aspects relating to taxes applicable in the Kingdom of Saudi Arabia has been reintroduced by the Zakat, Tax and Customs Authority ('ZATCA').

Excise tax, value-added tax (including electronic invoicing), real estate transaction tax, withholding tax, and corporate income tax are the several forms of taxes covered by this program. The exemption will have validation for six months, starting on June 1 2022 and ending on November 30 2022.



Fine Exclusions from the Current Initiative

The fines relating to the following are exempted from the current initiative:

- > Late registration
- > Late payment
- > Late submission of the declaration
- > Correcting the declaration for VAT
- > Field control related to the application of E Invoicing provisions
- > Other general provisions related to VAT

However, Taxable person will not be able to take benefit for reduction for following kind of fines

- > Tax evasion
- > Fines that were paid before the effective date of this initiative
- > Late payment fines related to the origin of the tax included in an installment plan that must be paid after the end of the specified period for the initiative scheduled on 30 November 2022

Requirements for Benefitting from the Current Initiative

For Registered Person

- > Discharge their prescribed obligations as per the respective tax legislation
- > Pay all outstanding tax dues

For Un-registered person

- > Non-registered individuals who previously had to register must register for VAT,
- > Submit all required returns that have not already been submitted to the Authority,
- > Disclose all taxes that are not clearly disclosed
Pay the full tax associated with the Tax Return.



Bahrain - Manual on Digital Stamps

Recently Bahrain Tax Authority has issued manual aims to provide importers and local manufacturers with:

An overview of the Kingdom of Bahrain's excise rules and procedures in regard to the Digital Stamps Scheme.

The necessary guidance needed to navigate the Digital Stamps Scheme online portal and the process of ordering and tracking digital stamps from the perspective of an importer of excise products.

In that Manual mainly covers the following Road map for Digital Stamps Scheme

| Milestone | Milestone Date | Activity |
|--|---------------------|--|
| Receiving Digital Stamps orders milestone | (11th March 2022) | The system started to receive the digital stamps orders from excise payers |
| Imported cigarette products implementation milestone | (17th July 2022) | All cigarette products arriving at the Kingdom of Bahrain Customs Affairs for clearance must have the digital stamps placed. |
| Local markets implementation milestone | (16th October 2022) | All cigarette products available for sale in the local market must be placed with digital stamps. |

Taking into consideration the above implementation key milestones, importers are required to follow the below guidelines of digital stamps requirements on imported products to ensure effective implementation of the Digital Stamps Scheme:

- > Cases that require digital stamps to be placed on cigarette products
- > Cases that do not require digital stamps to be placed on cigarette products
- > Procedures that will not be impacted by the implementation of the Digital Stamps Scheme

Importers and local manufacturers that are required to be registered for the Digital Stamps Scheme are requested to fill the Digital Stamps Scheme registration form available on the NBR website and share the filled form via email to ds@nbr.gov.bh

The guide will also provide the complete detailed process to be followed for creating an order for digital stamps,

[Click](#) here to access the complete guide to understand the process to be followed for the Creation of Digital stamps.

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