

TAX NEWSLETTER

Monthly Updates on Tax

UAE - New 'Self-Audit Findings' Program by Dubai customs

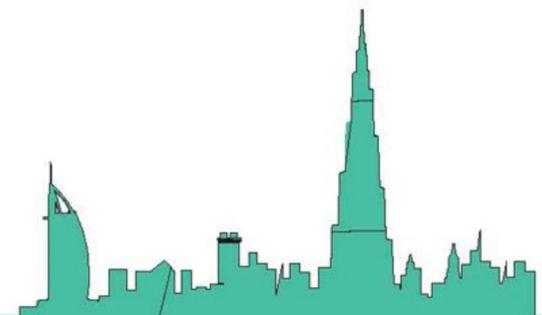
In August 2022, Dubai Customs introduced a 'Self-Audit Findings' program. Basically, the program is considered as a voluntary disclosure mechanism that enables individuals and companies registered with Dubai Customs to disclose errors and omissions that have occurred while submitting Import and Export declarations. Registrants can submit an application for 'Self-Audit Findings' through Dubai Trade Portal and the application is subject to following condition:

- Application can be made at any time after customs clearance of goods
- The disclosure must be made before notice or commencement of a customs audit process.
- The disclosure must be complete with all the relevant information pertaining to the errors and omissions.
- The difference in duty arising after disclosure should be paid within 15 days of application.

No penalties will be levied for errors disclosed through this self-audit program and only the customs duty applicable due to the error will need to be paid.

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UAE - Upcoming Economic Substance Regulation (ESR) deadlines

UAE entities that are within the scope of ESR are required to submit an annual Notification form within 6 months from the end of the financial year, and an Economic Substance Report within 12 months from the end of their financial year.

The Regulations require UAE entities that carry out any of the defined “Relevant Activities” listed below to maintain and demonstrate an adequate “economic presence” in the UAE relative to the activities they undertake. Relevant activities are as follows:

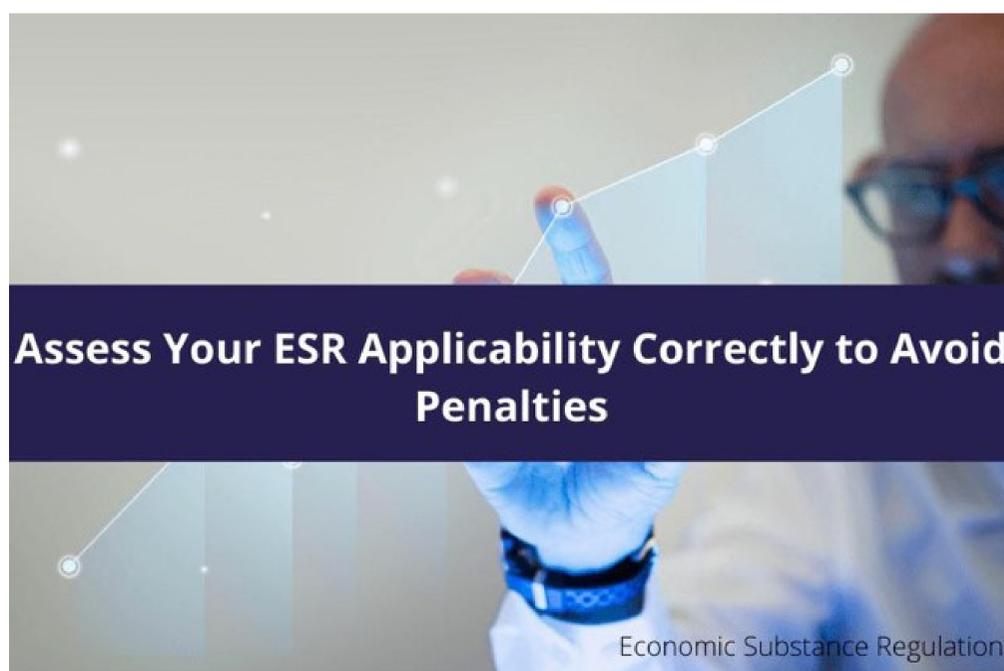
- Banking Business
- Insurance Business
- Investment Fund Management Business
- Lease – Finance Business
- Headquarters Business
- Shipping Business
- Holding Company Business
- Intellectual property Business
- Distribution and Service Center Business

Failure to submit a timely notification or report may attract penalties ranging from AED 20,000 - AED 400,000.



Below is summary of upcoming ESR filing deadlines in 2022:

Financial Year End	Filing deadline
September 2021	ESR report deadline of 30th September 2022
December 2021	ESR report deadline of 31st December 2022
March 2022	ESR notification deadline of 30th Sept 2022
June 2022	ESR notification deadline of 31st Dec 2022



UAE – Public clarification on Excise Tax Designated Zones – Calculation of Financial Guarantee

The Federal Tax Authority has published a public clarification to provide guidance on how financial guarantees in respect of Excise Tax Designated Zones (DZ) are calculated. This clarification is effective from 1st September 2022.

The key highlights of this public clarification are as follows:

- **From 1 September 2022**, financial guarantees will be determined using a different risk-based approach that considers certain variables. From this approach, it is considered that the Warehousekeepers with good compliance history would get the benefit of a lower financial guarantee.
- The amount of the financial guarantee in respect of each Excise Tax Designated Zone shall be calculated as follows:

Step 1 - Calculate the Guarantee Base based on the Excise Tax due on the average month-end stock over a period of twelve months. For the new designated zone registration, it is required to calculate average month-end stock on forecast basis. And for renewal of DZ registration, calculation is based on preceding 12 months basis.

Step 2 - The FTA will determine the applicable financial guarantee by applying a relevant percentage to the Guarantee Base. A preliminary financial guarantee percentage is determined based on:

- Residence Status of applicant
- Compliance History of relevant person
- Financial status warehouse keeper
- Number of years of operation

In some instances, the preliminary financial guarantee percentage determined may be overridden by a specified guarantee percentage.

Step 3 - The rate determined in Step 2 will be applied to the Guarantee Base calculated in Step 1 to calculate the preliminary financial guarantee amount.

Step 4 - The minimum financial guarantee amount is AED 175,000.

The required financial guarantee amount shall be capped at AED 25 million which is subject to certain conditions and If any of those are not met, the upper limit of AED 25 million shall not apply.

Digital Tax Stamp



Oman – Digital tax stamps for excisable products

Digital Tax stamps implemented by the tax authority on excise items, is applied by the Sultanate of Oman's Tax Authority on excise goods' manufacturers and other relevant parties. The labeling system requires premium manufacturers to put seals with a high level of security on all goods, enabling the customized digital labeling of specific products to monitor its movement from one factory to another, resulting in the prohibition of import of any excise goods into the Sultanate of Oman that do not bear tax stamps, after applying this system.

Objectives

- Improved surveillance and tracking of the transaction of illegally selected goods.
- Enable customers to help the tax administration fight against illicit goods.
- Make it possible for customers to confirm that the goods they buy are authorized and meet

Entities that must register in the Digital tax stamps system

Manufacturers: Any international or local factory that sells the products of imported excise goods in the Sultanate of Oman in the local market.

Importers: Any official importer registered with the Tax Authority who purchases excise goods in bulk from local and international manufacturers for the purpose of selling and distributing within the Sultanate of Oman.

Which products will be covered by the tax stamps system?

The system of tax stamps will be applied at the beginning of the project on tobacco products, and then the application will be extended later to include all excise goods.

Key dates for Tobacco products

30 June 2022: Domestic importers and manufacturers have been able to request tax stamps to be sent to manufacturers to be placed on cigarette product packages.

14 October 2022: Any tobacco products that do not carry the digital tax stamp will not be allowed to be imported into Oman.

1 February 2023: The sale, trade, import or production of any Excise Goods will not be permitted in Oman unless they bear the digital tax stamp.



Oman VAT – Oman tax authority (OTA) published E-commerce VAT guide

OTA recently published in Arabic a vat guide on E-commerce to provide an explanation of the rules of applying value added tax on goods and services in the E-commerce sector.

The guide covers details on important areas such as place of supply of goods and services, place of supply of electronically supplied services, supply made by agents (disclosed vs undisclosed agents, invoicing and record keeping requirements etc.

Full guide is available on OTA's website

ZATCA of KSA issues public consultation document on Amendments to Transfer pricing bylaws

On 4th July 2022, Zakat, Tax, and Customs Authority (ZATCA) of KSA issued a Public Consultation Document on amendments to transfer pricing (TP) bylaws, which had a comments due date until 30th July 2022.

Currently, the transfer pricing bylaws are applicable to all taxable persons under the income tax law and mixed-ownership entities.

If these significant amendments are approved, the ZATCA attempts to bring Zakat payers within the scope of the KSA TP Bylaws, and one of the major impacts will be the Zakat payers are required to do documentation for TP such as TP Disclosure forms, TP local file, and disclosure forms and affidavits, even if they are compliant with current Country-by-Country Reporting (CbCR) requirements. Apart from this, the Zakat payers would similarly be subject to regular TP audit procedures by ZATCA.

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