



Tax Newsletter

August 2024



Landscape

In our August 2024 edition of GT's regional monthly Tax Newsletter, we provide the latest news updates affecting International Tax, Corporate Tax, Transfer Pricing, and Indirect Taxes in the UAE and across the Middle East region.

Contents

Section	Page
Indirect Tax Update	3
Value Added Tax in UAE	3
Value Added Tax in Middle East Countries	4
Customs and Excise Tax Update	7
Customs and Excise Tax in UAE	7
Corporate Tax Updates	11
Corporate Tax in UAE	11
Corporate Tax in Middle East Countries	19
Tax Treaty Developments	20
GCC Tax Treaty News	20
General Tax Update	24
General Tax Update in UAE	24
Our Experts	25

Indirect Tax Update

Value Added Tax in UAE

The Federal Tax Authority ('FTA') Launches 24/7 VAT Group Deregistration Service on EmaraTax Platform

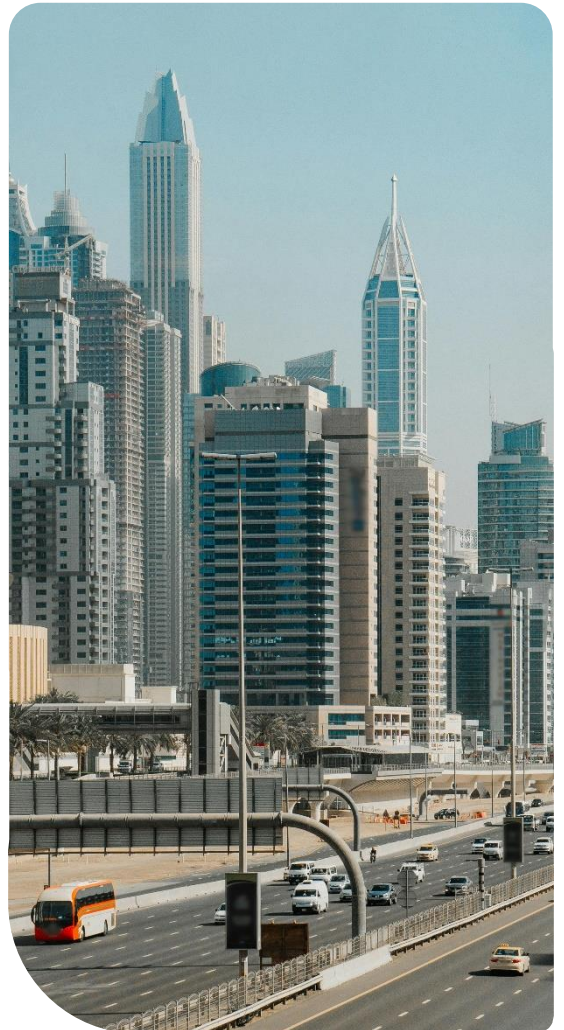
The FTA of the UAE has announced a significant enhancement to its digital services with the launch of the 24/7 Deregistration of VAT Groups service on the EmaraTax platform, effective from 8 August 2024. This development marks a major step forward in improving the efficiency and accessibility of the VAT sector for businesses across the UAE.

The new service allows businesses to manage their VAT deregistration processes at any time, providing a flexible solution that is particularly beneficial for companies with varied operating hours. The EmaraTax platform has been updated to support the VAT deregistration process with an intuitive, user-friendly interface that guides users through each step. Additionally, businesses can now easily obtain all necessary documentation, including VAT deregistration certificates, which are essential for legal and financial records.

This service is especially important for companies undergoing closures, restructurings, or those no longer meeting VAT registration criteria, as it helps them maintain compliance with UAE VAT regulations. By simplifying the VAT deregistration process, the FTA aims to reduce the risk of non-compliance penalties, minimize administrative burdens, and ensure that all tax obligations are properly fulfilled. The service also provides crucial documentation needed for audits, legal compliance, and financial management.

Since October 2023, the EmaraTax platform has also been available as a smartphone app, further enhancing its accessibility. In April 2024, the FTA reported that users had successfully completed over 4,570 operations through the EmaraTax app, highlighting its role in helping taxpayers manage their tax obligations with precision, speed, efficiency, and transparency.

Should you need any further clarification and details regarding this update, please contact our VAT Directors, [Harsh Bhatia](#) or [Sunita Taijwani](#), or our VAT Associate Director [Charlotte Stanley](#).



Value Added Tax in Middle East Countries

Kingdom of Saudi Arabia ('KSA') – The Zakat, Tax and Customs Authority ('ZATCA') sets guidelines for selecting Taxpayers in Wave 14 for implementing the Integration Phase of E-invoicing.

On 26 July 2024, the ZATCA announced its 14th wave of taxpayers for implementing Integration Phase (Phase 2) of E-invoicing, which now includes taxpayers whose taxable revenue exceeds 5 million Saudi Riyals ('SAR') during the tax years 2022 or 2023. The taxpayers who meet the criteria should integrate their E-invoicing solutions with the FATOORA platform with effect from 1 February 2025.

ZATCA has outlined below the additional requirements for Phase 1 & 2 of the implementation of E-invoicing, which includes:

- Integrating E-invoicing solutions with FATOORA;
- Issuing invoices in a specific format, i.e. in XML format or a PDF/A-3 (with embedded XML);
- Including additional fields in the invoice.

The below table provides a summary of the sequence of target groups and important timelines.

Target groups	Taxable turnover in 2021	Go-live date	To be fully integrated by	Likely penalty dates for non-compliance
1 st wave	Exceeds SAR 3 Billion	1 January 2023	30 June 2023	1 July 2023
2 nd wave	Exceeds SAR 500 Million	1 July 2023	31 December 2023	1 January 2024
3 rd wave	Exceeds SAR 250 Million	1 October 2023	1 February 2024	Post 1 February 2024
4 th wave	Exceeds SAR 150 Million	1 November 2023	29 February 2024	Post 1 March 2024
5 th Wave	Exceeds SAR 100 Million	1 December 2023	31 March 2024	Post 1 April 2024
6 th Wave	Exceeds SAR 70 Million	1 January 2024	30 April 2024	Post 1 May 2024
7 th Wave	Exceeds SAR 50 Million	1 February 2024	31 May 2024	Post 1 June 2024
8 th Wave	Exceeds SAR 40 Million	1 March 2024	30 June 2024	Post 1 July 2024
9 th Wave	Exceeds SAR 30 Million	1 June 2024	30 September 2024	Post 1 October 2024
10 th Wave	Exceeds SAR 25 Million	1 October 2024	31 December 2024	Post 1 January 2025
11 th Wave	Exceeds SAR 15 Million	1 November 2024	31 January 2025	Post 1 February 2025
12 th Wave	Exceeds SAR 10 Million	1 December 2024	28 February 2025	Post 1 March 2025
13 th Wave	Exceeds SAR 7 Million	1 January 2025	31 March 2025	Post 1 April 2025
14 th Wave	Exceeds SAR 5 Million	1 February 2025	30 April 2025	Post 1 May 2025

For further information on the above update, please click [here](#).

Should you need any further clarification and details regarding this update, please contact our GT KSA Tax Team – Head of Tax [Adel Douglas](#) or Tax Director [Mohammad Huwitat](#).

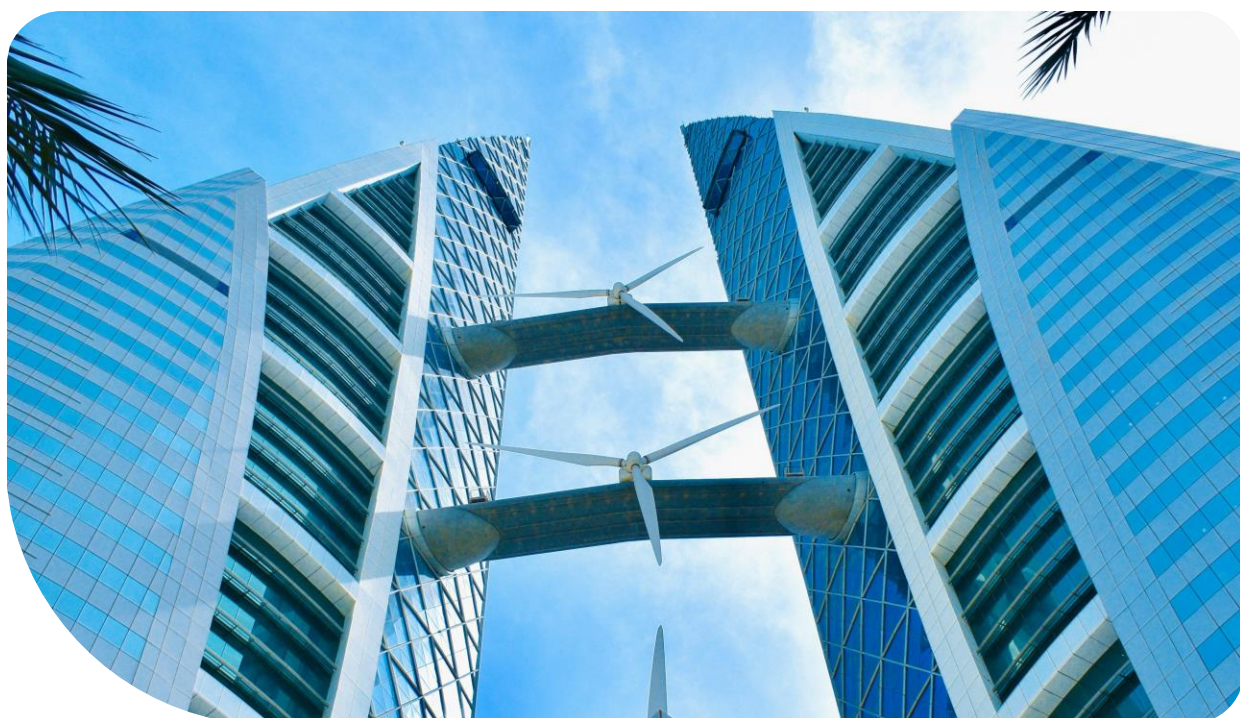
Bahrain –The National Bureau of Revenue (‘NBR’) updates the VAT Guidelines of fees and penalties

On 6 August 2024, the National Bureau of Revenue updated the VAT general guidelines with respect to the VAT treatment of fees and penalties effective from 1 November 2024. The key update was that charges labeled as penalties or punitive charges by suppliers to customers do not impact the VAT treatment of such charges irrespective of the nomenclature given to such penalties and punitive charges.

All charges are considered taxable if they represent consideration for the broader scope of services provided, unless the payment is specifically for indemnification of actual damages incurred. This includes charges such as late payment fees or early termination fees imposed by banks, which are subject to VAT at the standard rate. However, punitive charges arising from legal proceedings or arbitration panels due to contract disputes are considered out of the scope of VAT.

For further information on the above update, please click [here](#).

Should you need further clarification and details regarding this update, please contact GT Bahrain Senior Tax Partner [Jatin Karia](#), or Tax Director [Shashank Arya](#).



Bahrain –The National Bureau of Revenue (‘NBR’) updates the VAT financial services guideline on interchange fees and income from PNO

On 6 August 2024, the National Bureau of Revenue updated the VAT financial services guideline regarding the VAT treatment of interchange fee effective from 1 September 2024

Interchange fees are the charges paid by the acquirer's bank (the retailer's bank) to a cardholder's bank (Issuing Bank) for the services provided by the Issuing Bank. The NBR noted that interchange fee is the consideration for services provided by the issuing bank to the acquirer bank and their underlying Merchant. Accordingly, the VAT Treatment would depend on the residential status of the underlying Merchant and the acquirer bank (and not the Payment Network Operator) as follows:

- If the interchange fees relate to a merchant and their acquirer banks resident in Kingdom of Bahrain, this is a consideration for domestic supply of services and VAT at the standard rate would apply irrespective of the PMO is a non-resident
- If the interchange fees relate to the merchant and their acquirer banks outside the Kingdom Bahrain, it may be eligible for zero rating subject to meeting the other conditions as per the VAT Executive Regulations.

NBR has further clarified that for VAT reporting purposes, the banks should rely on Daily Settlement Advice Report/Tax Invoice which lists the total amounts received and paid for the services. The transactions under the local section of the reports would attract the standard rated treatment and the transactions under the GCC section of the report would qualify as export subject to meeting the other conditions.

Further, the fees and commission paid to PNO will be subject to VAT based on the resident status of the PNO.

- The guide has summarized the transactions as follows: Fees and commissions paid to PNOs located outside Bahrain are subject to the international reverse charge mechanism.
- Fees and commissions paid to PNOs located inside Bahrain are treated as standard rate purchases.
- Interchange paid to card issuers or acquirers located in Bahrain is treated as a standard rate purchase.
- Interchange paid to card issuers or acquirers located outside Bahrain is also subject to the international reverse charge mechanism.
- Total credit amounts of interchange, fees and commissions received in relation to card issuers or acquirers located outside Bahrain are zero-rated.
- Total credit amounts of interchange, fees and commissions received in relation to card issuers or acquirers located inside Bahrain are treated as standard rate sales.

For further information on the above update, please click [here](#).

Should you need further clarification and details regarding this update, please contact GT Bahrain Senior Tax Partner [Jatin Karia](#), or Tax Director [Shashank Arya](#).

Customs and Excise Tax Update

Customs and Excise Tax in UAE

Dubai Customs issues Customs Notice No. (04/2024) concerning implementing the Comprehensive Economic Partnership Agreement between the United Arab Emirates and Georgia

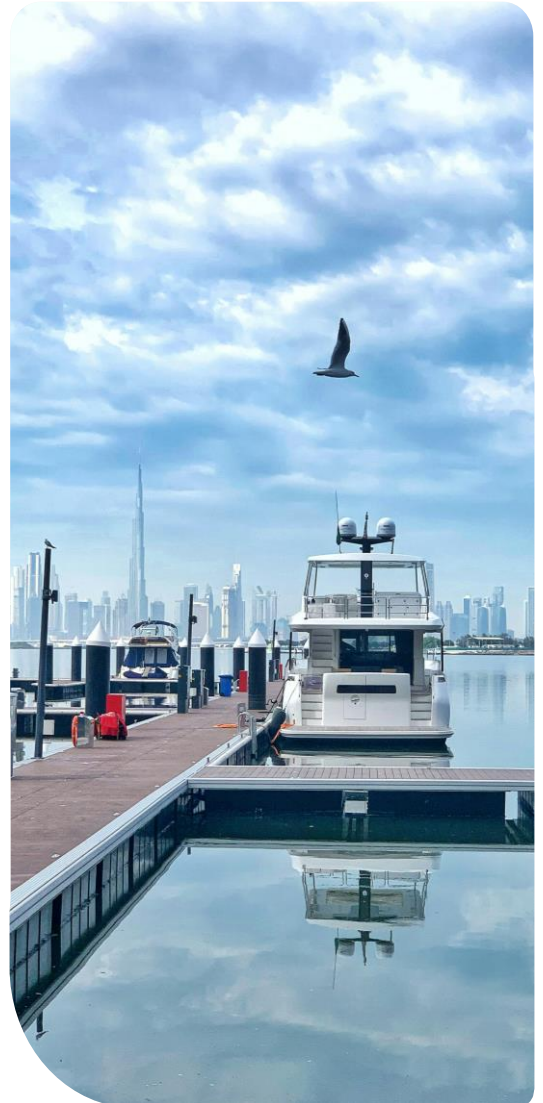
Effective from 27 June 2024, the Comprehensive Economic Partnership Agreement between the United Arab Emirates and Georgia aims to liberalise and facilitate trade in goods and services between the two countries through the creation of a free trade area, promoting economic growth and cooperation.

The agreement includes:

- **Customs and Tariffs:** It includes provisions for the elimination or reduction of customs duties, making it easier and cheaper to trade between the two countries. UAE exporters can now benefit from greater market access through preferential tariff rates.
- **Investment and Cooperation:** The agreement encourages investment and economic cooperation, potentially leading to increased foreign direct investment and joint ventures.
- **Regulatory Framework:** Establishes a clear and predictable legal framework for businesses, enhancing the business environment and fostering economic stability.

For further information on the above update, please click [here](#).

Should you need any further clarification and details regarding this update, please contact our VAT Directors, [Harsh Bhatia](#) or [Sunita Taijwani](#), or our VAT Associate Director [Charlotte Stanley](#).



United Arab Emirates and Morocco finalise the terms of Comprehensive Economic Partnership Agreement

On 27 July 2024, the Comprehensive Economic Partnership Agreement between the United Arab Emirates and Morocco have been finalized which aims to liberalize and facilitate trade in goods and services between the two countries that will mutually benefit trade and investment ties.

- o Upon implementation, the CEPA will facilitate the free flow of goods and services by reducing and eliminating the tariffs, improving market access for services, enhancing customs harmonization and establishing flexible rules of origin for goods.

This agreement is aimed at strengthening the UAE's economic ties with Morocco, more details are awaited upon publication of the agreement.

For further information on the above update, please click [here](#).

Should you need any further clarification and details regarding this update, please contact our VAT Directors, [Harsh Bhatia](#) or [Sunita Taijwani](#), or our VAT Associate Director [Charlotte Stanley](#).



Dubai Customs issues Customs Policy No. (58/2024) on Voluntary Disclosure System

On 12 June 2024, Dubai Customs issued Customs Policy No. (58/2024) on the Voluntary Disclosure System ('VDS') with the aim of promoting disclosures from importers and exporters operating in Dubai. The policy, which specifies a structured method for voluntarily disclosing customs infractions and is intended to promote compliance and openness while offering a framework for correcting previous mistakes, is a significant advance for the Dubai commercial community.

Voluntary Disclosure System:

- "The Voluntary Disclosure System" is a disclosure statement that a client submits in accordance with the terms and regulations outlined herein to duly notify Dubai Customs of any unintentional mistakes and/or violations made during customs clearance and the declaration of information related to declarations and customs data.
- If voluntary disclosure is made for customs offenses prior to discovery by Dubai Customs, customs fines may be wholly or substantially waived.
- Businesses must electronically complete the voluntary disclosure form and submit it using the self-audit submission facility on the computerized customs systems in order to make a voluntary disclosure request. Any supporting documentation that is pertinent to the disclosure must be sent with the form.
- Businesses have 30 days from the date Dubai Customs sends a financial claim notification to pay any unpaid customs charges. The voluntary disclosure request will be deemed void, and Dubai Customs may take additional enforcement measures, if the unpaid customs duties are not paid within this period.
- The additional infractions that Dubai Customs finds and does not include in the voluntary disclosure provided by the businesses will be dealt with independently. Since they are not covered by a voluntary disclosure, any offenses that go unreported could still result in fines and penalties.

The voluntary disclosure applies to the following violations:

1. Import and export violations.
2. Customs declaration violations.
3. Transit violations.
4. Warehouse violations.
5. Violations in areas supervised by customs.
6. Temporary import violations.
7. Re-export violations.
8. Any other customs violation.



Regulations and Requirements:

Businesses must promptly file a voluntary disclosure request to Dubai Customs to report any errors or violations they may have found. This request needs to be thorough, properly signed by the accountable party, sealed with the business seal, and include a description of the nature of the infraction along with any required paperwork.

Requests for voluntary disclosure are the focus of ongoing post-clearance customs audits or those who have been informed of an impending audit, investigation, or inspection will not be granted. Additionally, businesses must work with the appropriate authorities to carry out any further mandates under the VDS.

For further information on the above update, please click [here](#).

Should you need any further clarification and details regarding this update, please contact our VAT Directors, [Harsh Bhatia](#) or [Sunita Taijwani](#), or our VAT Associate Director [Charlotte Stanley](#).



Corporate Tax Update

Corporate Tax in UAE

The Federal Tax Authority ('FTA') issued a Public Clarification on the First Tax Period of a Juridical Person.

On 31 July 2024, FTA released a Corporate Tax (CIT) Public Clarification (CTP003) addressing the First Tax Period for juridical persons.

The clarification covers various scenarios, including juridical persons established under the Commercial Companies Law, Non-Resident juridical persons with a Permanent Establishment (PE) in the UAE, and Resident persons managed and controlled within the UAE but incorporated abroad. It also outlines the tax deregistration process in cases where a business ceases operations before or during the first Tax Period.

Key points from the clarification include:

- The first financial year ('FY') for juridical persons can range from 6 to 18 months, differing from the standard 12-month period. This applies to entities established under other regulations, such as Free Zone laws, with similar first FY requirements.
- For Non-Resident Persons with a PE, the first Tax Period begins when operations start. If activities commenced before 1 June 2023, the first Tax Period starts on or after this date.
- Juridical persons managed and controlled in the UAE but incorporated abroad will have their first Tax Period aligned with their foreign legislation's FY, commencing on or after 1 June 2023.
- If a Taxable Person ceases operations during the first Tax Period, they must apply for Tax Deregistration within three months. The expiration of a business license alone does not qualify as business cessation.



Finally, the FTA's Public Clarification provides guidance for newly incorporated companies with a first FY ranging from 6 to 18 months, explaining how this period is treated under UAE CIT Law. The FTA notes that while a non-standard FY will be accepted as the first Tax Period without requiring a formal application for change, this does not apply to other thresholds, such as Small Business Relief (SBR), which are not subject to pro-rating.

Please find the attached [link](#) to the Tax Alert released by Grant Thornton UAE.

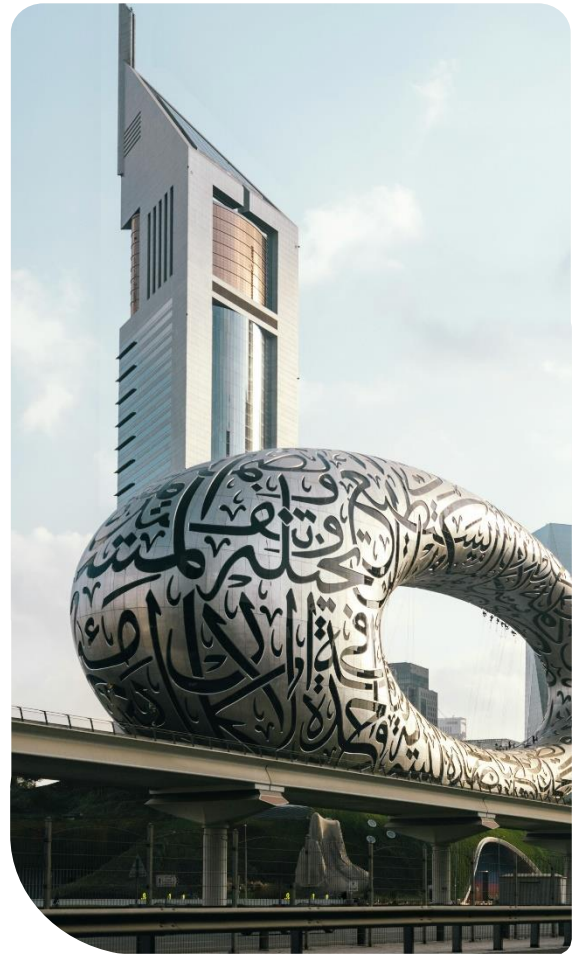
To access the public clarification released by FTA, please click [here](#).

Should you need any further clarifications and details regarding this information, please contact our Corporate Tax Team – Tax Partner [Anuj R. Kapoor](#) or Tax Director [Isabel Strassburger](#) or Associate Tax Directors [Tatiana Stupenkova](#) and [Amisha Anil](#) and our Transfer Pricing Director [Anna Nikolayko](#).

The Federal Tax Authority ('FTA') Issues Guidelines on Determination of Taxable Income under UAE CIT Law

On 31 July 2024, the FTA issued an extensive guide aimed at helping businesses navigate the complexities of the UAE Corporate Tax (CIT) Law, specifically focusing on the determination of taxable income. This guide is designed to provide clarity and ensure compliance with the new tax regime.

According to the FTA, the starting point for determining taxable income is the accounting net profit or loss, as reported in financial statements prepared under International Financial Reporting Standards (IFRS) or IFRS for SMEs. From this starting point, businesses must make adjustments based on the specific provisions outlined in the UAE CIT Law.



Key areas addressed in the guide include:

- **Unrealised Gains or Losses:** Businesses have the option to include these gains or losses only when they are realized, offering flexibility in tax reporting.
- **Exempt Income and Losses:** Dividends and income from participating interests are excluded from taxable income due to their exempt status.
- **Non-Deductible Expenditures:** Expenses not incurred solely for business purposes, capital expenditures, and certain non-deductible interest costs are excluded from deductions.
- **Related Party Transactions:** Adjustments are required for transactions not conducted at arm's length, ensuring that they reflect fair market value.
- **Tax Loss Relief:** The guide outlines conditions for carrying forward tax losses, including a provision that allows for offsetting up to 75% of taxable income in a given period.
- **Interest Deductibility:** The guide clarifies the limitations on deducting interest expenses, ensuring only qualifying expenses are deducted.

The FTA guide further enhances understanding by including nine case studies that illustrate these key concepts, covering topics such as deductible and non-deductible expenses, tax loss relief, and transfer. It also addresses cross-border issues, including income and expenses related to foreign permanent establishments (PEs) and non-resident persons conducting business in the UAE. Other scenarios covered include the cash basis of accounting, exempt income, and unrealized gains and losses.

One of the important developments outlined in the guide is employee related expenses. The guide states that, it is not relevant whether an employee is paid wholly in cash or also receives other benefits, such as a car for personal use. The personal use should be viewed in the same way as the employee spending their cash salary on items for their personal benefit. The same applies to other benefits, such as medical insurance or a flight allowance (for spouse and children). In other words, the cost is wholly and exclusively for Business purposes as for rewarding employees is wholly a Business purpose. Some of the examples related to employee benefits are as follows:





Salary and bonus paid to directors who are shareholders:

When an executive director is actively engaged in the daily operations of a company and has signed an employment contract, their salary and variable pay are typically aligned with industry standards. These payments compensate the director for the services provided in their executive role, and the related expenses are considered fully and exclusively for the company's business operations. Consequently, these expenses are deductible and do not necessitate any adjustments to the accounting in-come when determining the company's taxable income, provided that the payments or transactions adhere to the Arm's Length Principle.

However, payments or benefits provided by a Taxable Person to their Related Parties or Connected Persons are deductible only if they reflect the Market Value of the services or benefits provided and are incurred solely for the business purposes of the Taxable Person. The guidelines also offer examples of transactions involving a Permanent Establishment and fees paid to connected persons.

Employee benefits (for home working):

When a company hires professionals who are required to work exclusively from home, it may agree to reimburse them for the additional costs incurred, such as home office setup and a portion of utility bills. These expenses, related to employees working from home, are considered to be incurred entirely for the company's business purposes and are therefore deductible.

Entertainment Expenses

Expenses related to a business promoting or advertising its services or products by offering them to the general public at a reduced price or for free are not subject to the 50% deduction rule.

This also applies if only certain individuals receive these benefits because they help generate publicity for the business, for example, providing free services to an influencer or a restaurant giving a free meal to a food critic etc. Whether an item of expenditure can be considered as marketing expenditure or entertainment expenditure, will largely depend on the industry in which the Taxable Person operates. However, costs associated with providing hospitality at the event, such as meals, musical performances, or accommodation, will still be subject to the 50% restriction for entertainment expenses.

Apart from that, for the Permanent Establishment, it is worth mentioning that a Non-Resident Person and its Permanent Establishment are considered Related Parties. Consequently, when calculating the Taxable Income of a Non-Resident Person with a Permanent Establishment in the UAE, the UAE Permanent Establishment, will be treated as a distinct and separate entity. Transactions between the Non-Resident Person's head office and its UAE Permanent Establishment must comply with the arm's length principle.

To accurately allocate profit between the Permanent Establishment, a two-step process is required: first, perform a functional analysis to identify the functions, assets, and risks of the Permanent Establishment and the head office as separate entities, and second, determine compensation for transactions between them based on their respective functions, assets, and risks.

To access the guide, please click [here](#).

Should you need any further clarifications and details regarding this information, please contact our Corporate Tax Team – Tax Partner [Anuj R. Kapoor](#) or Tax Director [Isabel Strassburger](#) or Associate Tax Directors [Tatiana Stupenkova](#) and [Amisha Anil](#); and our Transfer Pricing Director [Anna Nikolayko](#).



The Federal Tax Authority ('FTA') Issues a Public Clarification on related party relationship between entities under Government Ownership or Control

On 22 July 2024, the FTA issued a Public Clarification on the definition of Related Parties under Article 35 of the UAE CIT Law. The Clarification provides specific guidance for government-owned/ controlled entities.

As per the clarification, two or more taxable persons having common ownership or control (direct or indirect) by a Federal Government, or a Local Government (i.e., any of the governments of the Member Emirates of the Federation) will not be considered as 'Related Parties' for the purpose of Article 35 of the UAE CIT Law.

Thus, these transactions will not be required to apply the arm's length principles as per Article 34 of the Corporate Tax law, nor any Transfer Pricing documentation compliance requirements apply to these transactions.

The clarification does not apply to entities owned/ controlled by Government entity i.e. ministries government departments, government agencies, authorities, and public institutions of the Federal Government or Local Governments.

To access the clarification, please click [here](#).

Should you need any further clarifications and details regarding this information, please contact our Corporate Tax Team – Tax Partner [Anuj R. Kapoor](#) or Tax Director [Isabel Strassburger](#) or Associate Tax Directors [Tatiana Stupenkova](#) and [Amisha Anil](#) and our Transfer Pricing Director [Anna Nikolayko](#).



The Federal Tax Authority ('FTA') Issues Tax Information Bulletin with Respect to Natural Persons

The FTA has issued a Basic Tax Information Bulletin that outlines the conditions under which natural persons may be subject to the newly introduced corporate tax. According to the bulletin, natural persons are considered taxable under the Corporate Tax Law if they:

- Conduct a business or business activity in the UAE;
- Have a permanent establishment in the UAE; or
- Earn income accrued in or derived from the UAE.

However, natural persons will only be liable for corporate tax if their total annual turnover exceeds AED 1 million. Those who do not meet this turnover threshold will not fall under the scope of corporate tax and are not required to register.

The bulletin also clarifies that certain types of income, including employment income, personal investment income, and real estate investment income, are excluded from the scope of corporate tax and do not count toward the AED 1 million threshold.

Personal investment income is defined as income and gains from investments made in a personal capacity, without the need for a license from a licensing authority, and not considered a commercial business under the Commercial Transactions Law. Real estate investment income, including earnings from the sale, lease, sub-lease, or rental of land or property in the UAE, is treated as personal investment income and remains outside the corporate tax scope, provided it is conducted personally and does not require a licensing authority's approval. This bulletin provides crucial guidance for natural persons to understand their potential corporate tax liabilities under the new regulations.

Please click [here](#) for further information.

Should you need any further clarifications and details regarding this information, please contact our Corporate Tax Team – Tax Partner [Anuj R. Kapoor](#) or Tax Director [Isabel Strassburger](#) or Associate Tax Directors [Tatiana Stupenkova](#) and [Amisha Anil](#) and our Transfer Pricing Director [Anna Nikolayko](#).



The Federal Tax Authority ('FTA') outlines the Procedures and Details of Advance Pricing Agreement (APA) Framework expected in Q4 2024

The FTA has provided further details on the upcoming implementation of an Advance Pricing Agreements (APAs) framework through an update to Decision No. 4 of 2024. While the updated decision does not delve into the specifics of the APA process or technical requirements, it outlines the minimum information necessary for individuals seeking clarification from the FTA regarding the APA framework.

The FTA has indicated that the start date for accepting APA applications, along with the related submission and issuance procedures, will be announced in the fourth quarter of 2024. This update signals the UAE's commitment to introducing APAs, which are anticipated to play a significant role in the country's tax framework moving forward.

Should you need any further clarifications and details regarding this information, please contact our Corporate Tax Team – Tax Partner [Anuj R. Kapoor](#); Transfer Pricing team – Tax Director [Anna Nikolayko](#); Tax Director [Isabel Strassburger](#) or Associate Tax Directors [Tatiana Stupenkova](#) and [Amisha Anil](#) and our Transfer Pricing Director [Anna Nikolayko](#).



Corporate Tax in Middle East Countries

Kingdom of Saudi Arabia ('KSA') – The Zakat, Tax and Customs Authority ('ZATCA') Publishes Third Edition of Transfer Pricing Guidelines Including APA Guidance

ZATCA has issued the third edition of its Transfer Pricing Guidelines, dated June 2024, providing further clarity on the application of transfer pricing rules in the country. A significant update in this edition is the introduction of a new Section 6, which covers advance pricing agreements (APAs). Consequently, the subsequent sections have been renumbered.

According to the new guidelines, APAs can be requested for transactions with related parties valued at SAR 100 million or more. After an initial meeting determines that an APA is feasible, a formal application must be submitted at least 12 months before the relevant financial year begins. The guidelines detail the information and documentation required for the APA application. If approved, the taxpayer will be notified and can choose to accept or reject the APA. Once accepted, the APA is binding for a period of three financial years for both the taxpayer and ZATCA.

Currently, the updated guidelines are only available in Arabic, with an English version expected to be published soon.

Please click [here](#) to access the guide.

Should you need any further clarification and details regarding this update, please contact our GT KSA Tax Team – Head of Tax [Adel Douglas](#) or Tax Director [Mohammad Huwitat](#).



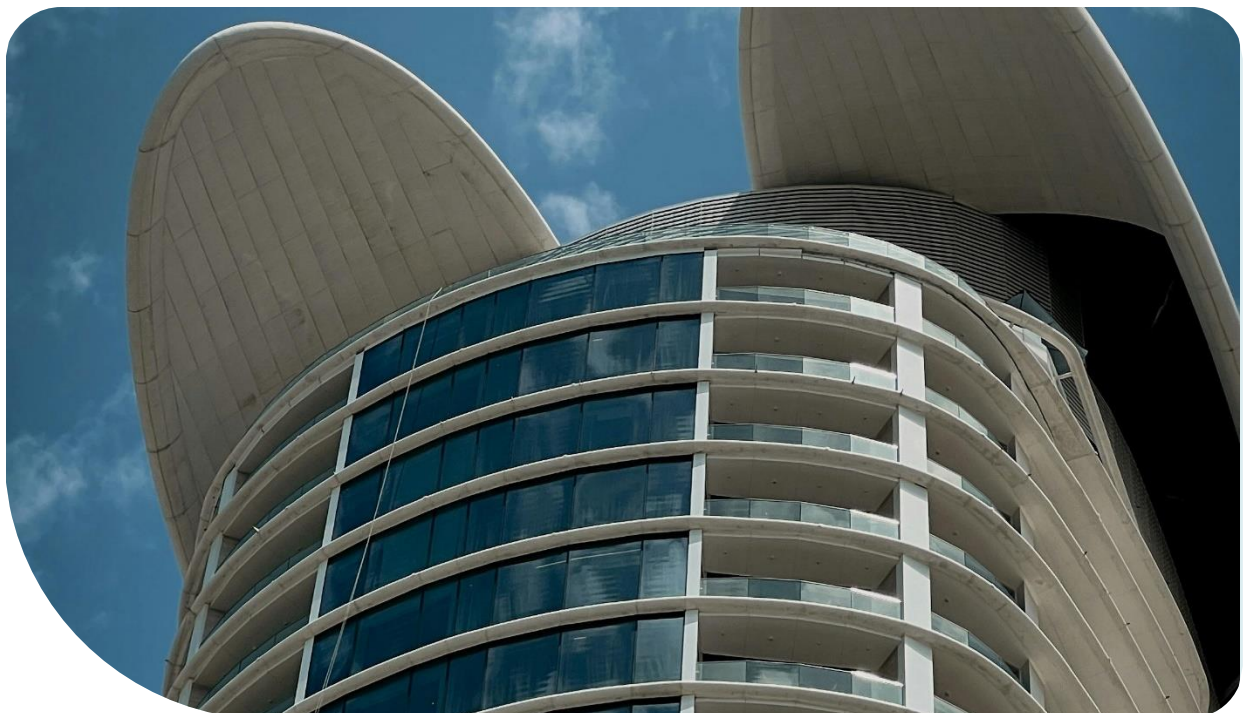
Tax Treaty Developments

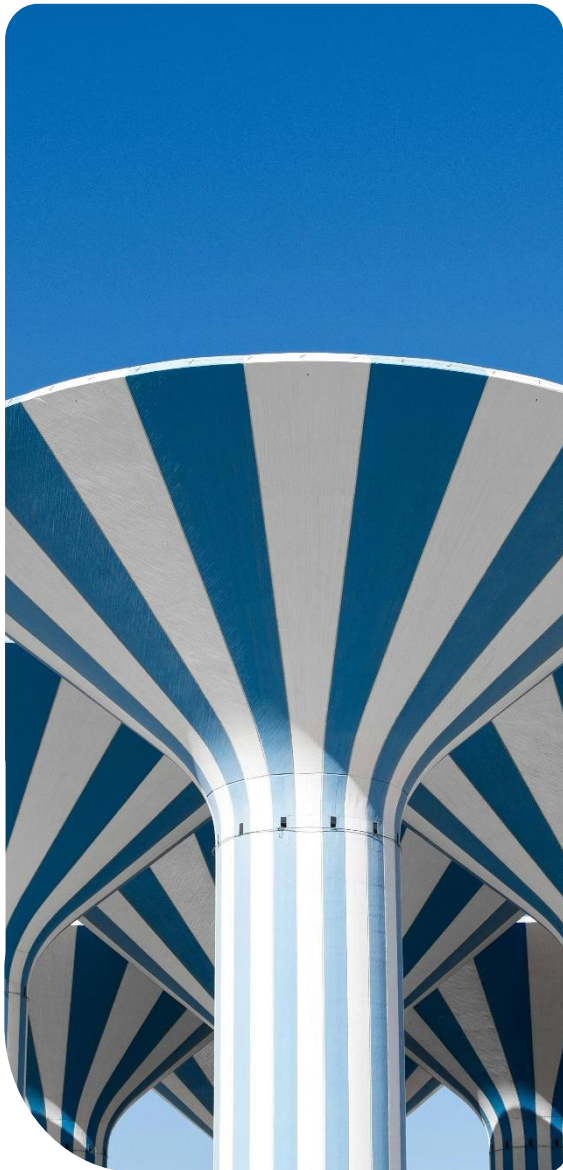
GCC Tax Treaty News

Mauritius and United Arab Emirates Sign Comprehensive Economic Partnership Agreement

On 22 July 2024, Mauritius and the UAE signed a Comprehensive Economic Partnership Agreement (CEPA) aimed at boosting trade and investment between the two countries. Under the agreement, Mauritius will eliminate 99% of tariffs on imports from the UAE, while the UAE will remove 97% of tariffs on imports from Mauritius. Notably, this agreement marks the UAE's first CEPA with an African nation. The UAE has been actively pursuing similar agreements globally, having already signed CEPAs with countries like Cambodia, Colombia, Costa Rica, India, Indonesia, Israel, and Turkey, among others. Ongoing negotiations for CEPAs are also underway with nations such as Ecuador, New Zealand, the Philippines, South Korea, and Ukraine.

Should you need any further clarifications and details regarding this information, please contact our Corporate Tax Team – Tax Partner [Anuj R. Kapoor](#) or Tax Director [Isabel Strassburger](#) or Associate Tax Directors [Tatiana Stupenkova](#) and [Amisha Anil](#).





Kuwaiti Council of Ministers Approves Tax Treaty with United Arab Emirates

On 8 July 2024, the Kuwaiti Council of Ministers issued a decree approving the ratification of the income and capital tax treaty with the United Arab Emirates, as reported on Kuwait's online legal portal. Signed on 11 February 2024, in Dubai, the treaty provides that dividends and interest will be taxed only in the state of residence of the beneficial owner, while royalties and fees for technical services will be taxed at a maximum rate of 10 percent. Both countries will use the credit method to avoid double taxation. On 13 July 2024, the Kuwait Council of Ministers approved the ratification of the pending income and capital tax treaty with the United Arab Emirates. This is the first such agreement between Kuwait and the UAE, and it will come into effect once the ratification instruments are exchanged, with its provisions applying from 1 January of the year following its entry into force.

Should you need any further clarifications and details regarding this information, please contact our Corporate Tax Team – Tax Partner [Anuj R. Kapoor](#) or Tax Director [Isabel Strassburger](#) or Associate Tax Directors [Tatiana Stupenkova](#) and [Amisha Anil](#).

Kingdom of Saudi Arabia ('KSA') Council of Ministers Authorises Signing of Tax Treaty with Kuwait

On 23 July 2024, the Saudi Council of Ministers approved the signing of an income tax treaty with Kuwait. This will be the first such agreement between the two nations. The treaty will come into effect only after it has been signed and ratified.

Should you need any further clarification and details regarding this update, please contact our GT KSA Tax Team – Head of Tax [Adel Douglas](#) or Tax Director [Mohammad Huwitat](#).

Iran and Kingdom of Saudi Arabia ('KSA') Conclude Tax Treaty Negotiations

Officials from Iran and Saudi Arabia finalized the fourth round of negotiations from July 12 to 14, 2024, by initialing an income tax treaty. This agreement will be the first of its kind between the two nations. The treaty is pending formal signing and ratification before it can come into effect.

Should you need any further clarification and details regarding this update, please contact our GT KSA Tax Team – Head of Tax [Adel Douglas](#) or Tax Director [Mohammad Huwitat](#)

Kingdom of Saudi Arabia ('KSA') Council of Ministers Approves Pending Tax Treaty with Gambia

On 23 July 2024, the Saudi Council of Ministers approved the ratification of an income tax treaty with The Gambia. Signed on 9 November 2023, this treaty is the first between the two countries and will take effect once the ratification instruments are exchanged.

Should you need any further clarification and details regarding this update, please contact our GT KSA Tax Team – Head of Tax [Adel Douglas](#) or Tax Director [Mohammad Huwitat](#).

Egyptian Cabinet Approves Pending Tax Treaty With Oman

On 9 July 2024, the Egyptian Cabinet approved the ratification of a pending income tax treaty with Oman, originally signed on 22 May 2023. This treaty replaces an earlier agreement signed in 2000 that never came into effect. The new treaty will officially enter into force once the ratification instruments are exchanged between the two countries.

Should you need any further clarification and details regarding the update, please contact our GT Oman, CEO and Head of Advisory, [Badar Al Hashmi](#).



Malaysia Publishes Synthesised Text of Tax Treaty with Bahrain as Impacted by the BEPS MLI

The Inland Revenue Board of Malaysia (IRBM) has released the synthesised text of the tax treaty with Bahrain, incorporating changes from the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). This synthesised text reflects the reservations and notifications submitted by both countries. However, the official legal texts of both the treaty and the MLI take precedence and remain the applicable legal documents.

The MLI applies for the [1999 Malaysia-Bahrain tax treaty](#):

- with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after 1 January 2023; and
- with respect to all other taxes levied by each Contracting State, for taxes levied with respect to taxable periods beginning on or after 1 December 2022.

Please click [here](#) to access the Malaysia's tax treaties.

Should you need further clarification and details regarding this update, please contact GT Bahrain Senior Tax Partner [Jatin Karia](#), or Tax Director [Shashank Arya](#)

Netherlands Publishes Synthesised Text of Tax Treaty with Qatar

The Dutch Ministry of Finance has released the synthesised text of the tax treaty with Qatar, incorporating provisions from the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). This synthesised document is based on the reservations and notifications submitted by both countries. However, the original legal texts of the tax treaty and the MLI remain the authoritative documents and take precedence over the synthesized version.

The MLI applies for the [2008 Netherlands-Qatar tax treaty](#):

- with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after 1 January 2021; and
- with respect to all other taxes, for taxes levied with respect to taxable periods beginning on or after 1 October 2020.

Please click [here](#) to access the synthesised texts of Netherland's tax treaties.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner [Anuj R. Kapoor](#) or Tax Director [Isabel Strassburger](#) or Associate Tax Directors [Tatiana Stupenkova](#) and [Amisha Anil](#).

General Tax Update

General Tax Update in UAE

The Federal Tax Authority ('FTA') issues Decision No. 5 of 2024 on the Refund of Fees on Private Clarifications

On 19 July 2024, the FTA has issued Decision No. 5 of 2024 establishing the conditions for refunding the fees associated with private clarification applications. The initiative aims to enhance the efficiency of tax administrations and provide comprehensive response for tax-related inquiries in the UAE. The Decision is published in the Official Gazette and is effective from 1 August 2024.

Article 1 – Refund of Service Fees for Non-Issuance of the Private Clarification

- **Complete refund** will be granted where the request is relating to one or more taxes and the FTA does not issue a clarification to the applicant.
- **Partial refund** will be granted where the request is relating to one or more taxes and the FTA issues a clarification relating to one tax only. The portion of the fees that will be refunded is the difference between service fees relating to more than one tax and the service fees relating to one tax.

Article 2 – Special cases for Refunds on the Service Fees

- a. In the event that the applicant withdraws their request for private explanation within two business days of the request's submission date.
- b. When a non-registered person for Corporate Tax submits a private clarification and the topic of the clarification has no substance to do with a tax registration inquiry.
- c. If the applicant is undergoing a tax audit while submitting the request.
- d. In cases where the request for a private clarification relates to the protocols that ought to be followed following the FTA's decision.
- e. When the request for private clarification is a duplicate of one that the FTA is already working on, made by the same applicant, containing identical information.
- f. In cases where the request for private explanation relates to an area in which the FTA and the Ministry of Finance are working together to alter the tax laws that govern it.

For further information on the above update, please click [here](#).

Should you need any further clarification and details regarding this update, please contact our VAT Directors, [Harsh Bhatia](#) or [Sunita Taijwani](#), or our VAT Associate Director [Charlotte Stanley](#).

Our Experts

United Arab Emirates



Steve Kitching

Head of Tax, Partner
Indirect Tax

T +971 58 5520 90 64
E steve.kitching@ae.gt.com



Anuj R. Kapoor

Partner
International Tax

T +971 4 388 9925
E anuj.kapoor@ae.gt.com



Imran Mushtaq

Partner
Indirect Tax

T +971 4 388 9925
E Imran.mushtaq@ae.gt.com

Kingdom of Saudi Arabia



Adel Daglas

Head of Tax
Zakat & Tax

T +966 (0) 55 280 7442
E adaglas@sa.gt.com



Mohamed Hwitat

Director
VAT Advisory

T +966 (0) 53 454 3017
E mhwitat@sa.gt.com

Kingdom of Bahrain



Jatin Karia

Senior Partner
Tax Advisory

T +973 39575562
E jatin.karia@bh.gt.com



Shashank Arya

Director
Tax Advisory

T +973 3544 2937
E shashank.arya@bh.gt.com

Sultanate of Oman



Badar Al Hashmi

CEO and Head of Advisory
GT Oman

T +968 90333330
E badar.alhashmi@om.gt.com

Kuwait



Hazem Al-Agez

Partner
Tax Advisory &
Compliance Services

T +965 9994 9147
E hazem.alagez@kw.gt.com



Karim Ezz El-Din

Manager
Tax Advisory &
Compliance Services

T +965 6624 6798
E karim.ezzeldin@kw.gt.com

Abu Dhabi

Unit 2, Floor 14
Sila Tower
ADGM Square
Al Maryah Island
Abu Dhabi, UAE

T +971 2 666 9750

F +971 2 666 9816

Sharjah

Al Bakr Tower
Office 305
7/9 Al Khan Street
Sharjah, UAE

T +971 6 525 9691

F +971 6 525 9690

Dubai

The Offices 5
Level 3, Office 303
One Central, DWTC
PO Box 1620
Dubai, UAE

T +971 4 388 9925

F +971 4 388 9915



© 2024 Grant Thornton UAE. All rights reserved.

Grant Thornton refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.