Tax Newsletter

January 2025

Landscape

In our January 2025 edition of GT's regional monthly Tax Newsletter, we provide the latest updates on International Tax, Corporate Tax, Transfer Pricing, and Indirect Taxes in the UAE and across the Middle East region.

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Indirect Tax Update

Value Added Tax in UAE

The Federal Tax Authority ('FTA') publishes VAT public clarification (VATP039) for Crypto Currency Mining

On 13 January 2025, the FTA issued a public clarification outlining the VAT treatment of cryptocurrency mining – covering digital currencies such as, but not limited to, Bitcoin and Ethereum. This clarification aims to ensure that all stakeholders are well-informed and compliant with the latest VAT regulations. Below are the detailed points from the latest public clarification:

Mining Process: Cryptocurrency mining involves the use of specialised computing equipment to validate blockchain transactions. Miners compete to solve complex cryptographic equations, and the first to solve the equation successfully validates the transaction and is rewarded with cryptocurrency. However, these rewards are not guaranteed and depend on being the first to solve the equation.

Personal Mining

- **Non-Taxable Supply:** When mining is conducted for personal purposes, it is not considered a taxable sup-ply. This means that such activities fall outside the scope of VAT, and no VAT is chargeable on the re-wards earned from personal mining.
- **Input Tax:** As the person undertaking the mining is not making taxable supplies for UAE VAT purposes, they will not be eligible to register for VAT and as such any input tax incurred in relation to personal mining activities is not recoverable and will be a cost.

Mining for Others

- **Taxable Supply:** When mining is performed on behalf of another party, it is classified as a taxable supply of services. This means that the miner is providing a service to another person and must charge VAT on the value of the service provided.
- **Input Tax Recovery:** Input tax incurred for mining services provided to others may be recoverable, pro-vided it is for taxable supplies. This allows miners to offset the input tax against the output tax charged on the services provided, thereby reducing their overall VAT liability.

The clarification highlights the economic implications of mining activities, emphasizing the need for miners to understand the VAT treatment of their activities to ensure compliance and optimize their tax position.

For further information on the above update, please click **here.**

Should you need any further clarification and details regarding this update, please contact **Harsh Bhatia** (Tax Director), or our Tax Associate Director **Charlotte Stanley** (Associate Director).

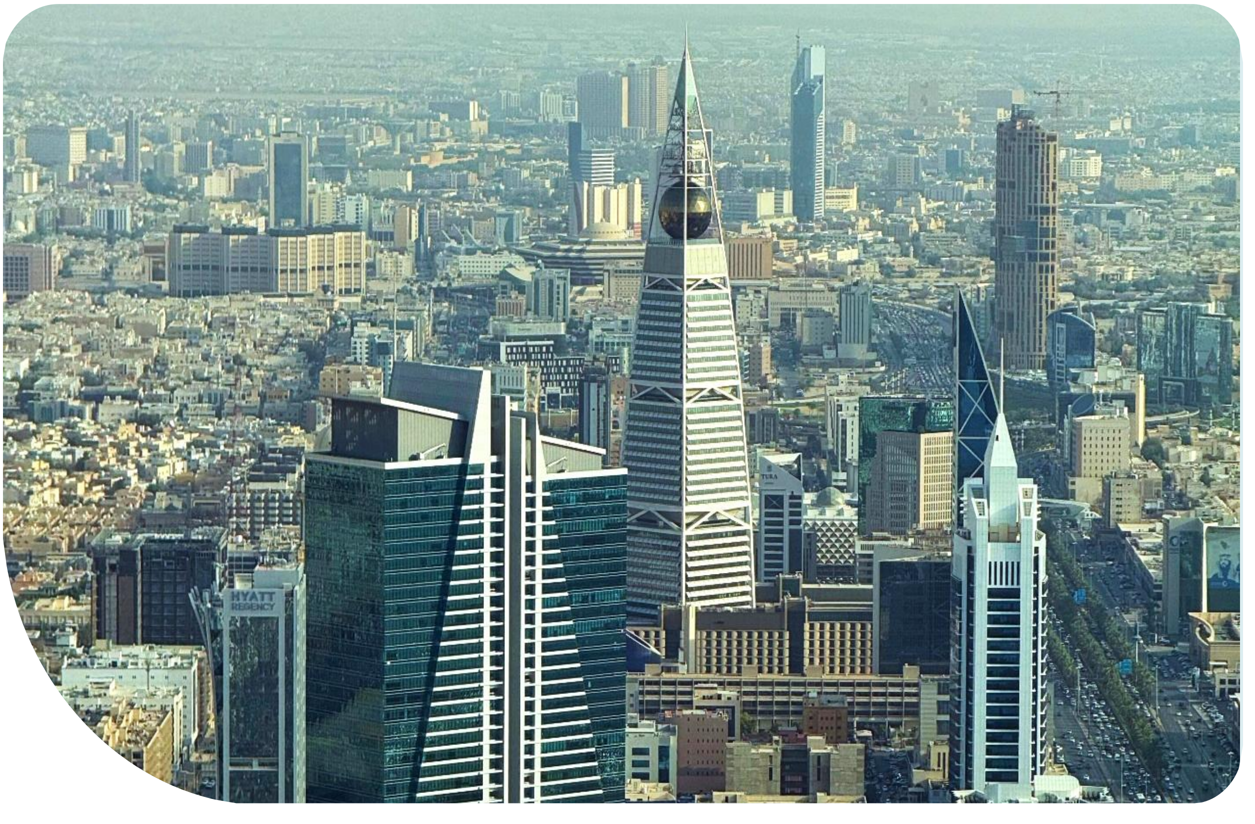
Value Added Tax in Middle East Countries

Kingdom of Saudi Arabia ('KSA') – The Zakat, Tax and Customs Authority ('ZATCA') sets guidelines for selecting Taxpayers in Wave 19 for implementing the Integration Phase of E-invoicing

On the 30 December 2024, the Zakat, Tax and Customs Authority (ZATCA) announced its 19th wave of taxpayers for implementing the Integration Phase (Phase 2) of E-invoicing, which now includes taxpayers whose revenues subject to VAT exceed 1.75 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 no later than 31 August 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;
- 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
1st Wave	Exceeds SAR 3 Billion	1 January 2023	30 June 2023	1 July 2023
2nd Wave	Exceeds SAR 500 Million	1 July 2023	31 December 2023	1 January 2024
3rd Wave	Exceeds SAR 250 Million	1 October 2023	1 February 2024	Post 1 February 2024
4th Wave	Exceeds SAR 150 Million	1 November 2023	29 February 2024	Post 1 March 2024
5th Wave	Exceeds SAR 100 Million	1 December 2023	31 March 2024	Post 1 April 2024
6th Wave	Exceeds SAR 70 Million	1 January 2024	30 April 2024	Post 1 May 2024
7th Wave	Exceeds SAR 50 Million	1 February 2024	31 May 2024	Post 1 June 2024
8th Wave	Exceeds SAR 40 Million	1 March 2024	30 June 2024	Post 1 July 2024
9th Wave	Exceeds SAR 30 Million	1 June 2024	30 September 2024	Post 1 October 2024
10th Wave	Exceeds SAR 25 Million	1 October 2024	31 December 2024	Post 1 January 2025
11th Wave	Exceeds SAR 15 Million	1 November 2024	31 January 2025	Post 1 February 2025
12th Wave	Exceeds SAR 10 Million	1 December 2024	28 February 2025	Post 1 March 2025
13th Wave	Exceeds SAR 7 Million	1 January 2025	31 March 2025	Post 1 April 2025
14th Wave	Exceeds SAR 5 Million	1 February 2025	30 April 2025	Post 1 May 2025
15th Wave	Exceeds SAR 4 Million	1 March 2025	31 May 2025	Date Awaited
16th Wave	Exceeds SAR 3 Million	1 April 2025	30 June 2025	Date Awaited
17th Wave	Exceeds SAR 2.5 Million	1 May 2025	31 July 2025	Date Awaited
18th Wave	Exceeds SAR 2 Million	1 June 2025	31 August 2025	Date Awaited
19th Wave	Exceeds SAR 1.75 Million	1 July 2025	30 September 2025	Date Awaited

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**.

Corporate Tax in UAE

UAE Ministry of Finance Updates Ministerial Decision on the Participation Exemption

The UAE Ministry of Finance has announced **Ministerial Decision No. 302 of 2024**, which serves as an update and replacement for the previous Ministerial Decision No. 116 of 2023, relating to the regulation of the participation exemption under the Corporate Tax Law and introduces significant updates.

The new decision outlines the criteria for determining what constitutes an ownership interest eligible for participation exemption. It also provides guidance on aggregating ownership interests within the same juridical entity to establish whether a taxable person has a qualifying participation. Additionally, it addresses the handling of qualifying transfers of ownership interests as continuous ownership and other related aspects of the participation exemption.

The decision also includes updates and clarifications concerning the transfer of ownership interests, the application of the as-set test, liquidation proceeds and losses, and the foreign permanent establishment exemption.

Ministerial Decision No. 302 of 2024 comes into effect from 1 January 2025, providing updated regulatory guidance for businesses operating under the Corporate Tax Law in the UAE.

Our Tax Alert provides a broader understanding of the latest update, offering in-depth insights into the implications and applications of the ministerial decision.

To access the tax alert, please click **here**.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner **Anuj R. Kapoor** or Tax Director **Hassan Fadda** or, Associate Tax Director **Tatiana Stupenkova**; and our Transfer Pricing team – Tax Director **Anna Nikolayko**.

UAE Ministry of Finance Updates Ministerial Decision on Tax Groups

The UAE Ministry of Finance has released **Ministerial Decision No. 301 of 2024**, which updates and replaces the earlier **Ministerial Decision No. 125 of 2023**. This decision addresses the regulation of tax groups under the Corporate Tax Law and introduces significant changes.

The new decision outlines the ownership requirements, rules for transactions conducted prior to the formation or joining of a tax group, and relief measures for pre-grouping tax losses. It also covers business restructuring and various other issues related to tax groups.

New Definitions and Clarifications

Notable updates include the introduction of a new definition for "Financial Statements." Additionally, there are updates and clarifications regarding resident persons, the application of the arm's length principle, and transfer pricing documentation requirements. The calculation of taxable income for a tax group is also addressed, with specific rules related to pre-grouping tax losses and carried forward net interest expense.

Ministerial Decision No. 301 of 2024 comes into effect from1 January 2025, providing new regulatory guidance for the formation and operation of tax groups in the UAE.

Our Tax Alert provides a broader understanding of the latest update, offering in-depth insights into the implications and applications of the ministerial decision.

To access the Tax Alert, please click **here**.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner **Anuj R. Kapoor** or Tax Director **Hassan Fadda** or, Associate Tax Director **Tatiana Stupenkova**; and our Transfer Pricing team – Tax Director **Anna Nikolayko**.

Corporate Tax in Middle East Countries

Oman to Implement Domestic Minimum Top-Up Tax and Income Inclusion Rule

On 5 January 2025, the Official Gazette published **Royal Decree No. 70/2024**, which introduces the Supplementary Tax Law in Oman. This new law includes the introduction of a Qualified Domestic Minimum Top-Up Tax (QDMTT), ensuring a minimum effective tax rate of 15%. Additionally, the law introduces an Income Inclusion Rule (IIR).

The law applies to entities in Oman that are part of multinational enterprise (MNE) groups with annual revenues equal to or exceeding the OMR equivalent of EUR 750 million and is effective from 1 January 2025. The decree also notes that the Tax Authority will issue the necessary executive regulations and decisions to implement the law's provisions. Further details will be provided as they become available.

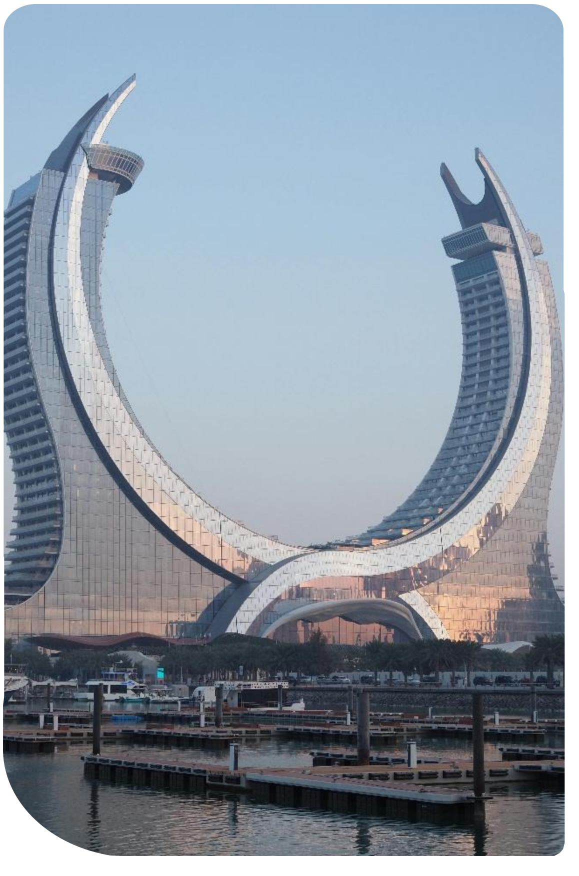
Should you need any further clarification and details regarding this update, please contact our Head of Advisory - GT Oman **Badar Al Hashmi**.

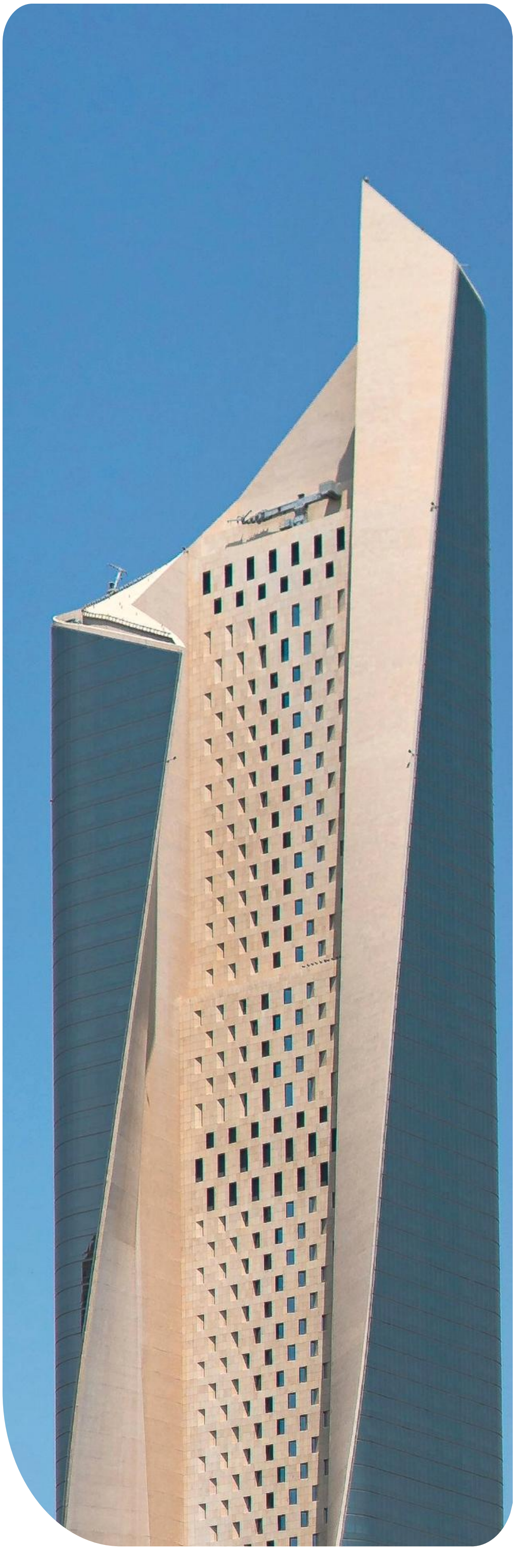
Qatar to Implement Qualified Domestic Minimum Top-Up Tax from 2025

In a recent update, Qatar's General Tax Authority confirmed the approval of amendments by the Shura Council to introduce measures for the Pillar 2 global minimum tax. This includes the implementation of a Qualified Domestic Minimum Top-Up Tax (QDMTT) of 15%, applicable to multinational enterprise (MNE) groups with annual revenues exceeding QAR 3 billion. The QDMTT will be effective from January 1, 2025.

For further information, please click **here**.

Should you need any further clarifications and details regarding this information, please contact GT UAE International Tax Team – Partner **Anuj R. Kapoor** or Tax Director **Hassan Fadda** or, Associate Tax Director **Tatiana Stupenkova**.





Kuwait Introduces Supplementary Domestic Minimum Top-Up Tax

Effective 1 January 2025, Kuwait has enacted Decree-Law No. 157 of 2024, introducing a supplementary Domestic Minimum Top-Up Tax (DMTT) to ensure a minimum effective tax rate of 15%. This move aligns with the OECD Pillar 2 guidelines and targets multinational enterprises (MNEs) with consolidated revenues exceeding EUR 750 million.

MNEs that have operations or subsidiaries outside Kuwait may be impacted by this new tax law. Entities that meet the criteria will need to comply and pay taxes in line with the articles provided in the new tax law.

Accordingly, entities generating profit in Kuwait may need to modify their tax arrangements and operations to comply with this law. Strategic planning will be crucial to guarantee compliance and enhance tax obligations.

Under the law, MNEs not currently registered with Kuwait Ministry of Finance for tax purposes, must complete their registration process within 9 months, commencing from 1 January 2025. No penalties will be imposed during this grace period.

Should you need any further clarification and details regarding this update, please contact our GT Kuwait Tax Team – Tax Partner **Hazem Al-Agez** or Tax Manager **Karim Ezz El-Din**.

Bahrain – National Bureau of Revenue ('NBR') Introduces New Transfer Pricing Requirements for Domestic Minimum Top-Up Tax

NBR has issued **Decision No. (172) of 2024**, which implements Executive Regulations for Decree-Law No. (11) of 2024. This law addresses the taxation of multinational enterprises (MNEs) and introduces a Domestic Minimum Top-Up Tax (DMTT).

The new regulations include updated transfer pricing requirements for determining the income or loss of a constituent entity under the DMTT rules. These adjustments must align with the arm's length principle, as detailed in the regulations.

Article 13 stipulates that a constituent entity in Bahrain must adjust its financial accounts to reflect the out-comes of transactions or arrangements with other constituent entities in different jurisdictions, ensuring consistency with the arm's length principle. The most appropriate of the five standard OECD transfer methods should be applied, following the OECD Transfer Pricing Guidelines.

For constituent entities within the same MNE group located in Bahrain, any losses from asset sales or transfers between them must be adjusted according to the arm's length principle for accurate income or loss determination.

The new regulations also mandate that constituent entities in Bahrain engaged in transactions with other constituent entities in the same MNE group must prepare and maintain a local file and a master file. The content of these files should align with the OECD guidelines.

The new transfer pricing requirements will be effective from 1 January 2025.

Should you need further clarification and details regarding this update, please contact GT Bahrain Tax Team – Senior Partner **Jatin Karia** and Director **Shashank Arya**.

Tax Treaty Developments

GCC Tax Treaty News

Tax Treaty between Oman and Tanzania Signed

The Omani government has announced the signing of an income tax treaty with Tanzania on 15 December 2024. The treaty is the first of its kind between the two countries and will enter into force after the ratification instruments are exchanged.

In a move to strengthen their strategic partnership, the Sultanate of Oman and the United Republic of Tanzania have signed an agreement focused on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income. This agreement aims to foster closer economic ties and streamline tax processes between the two countries.

Details of the treaty will be published once available.

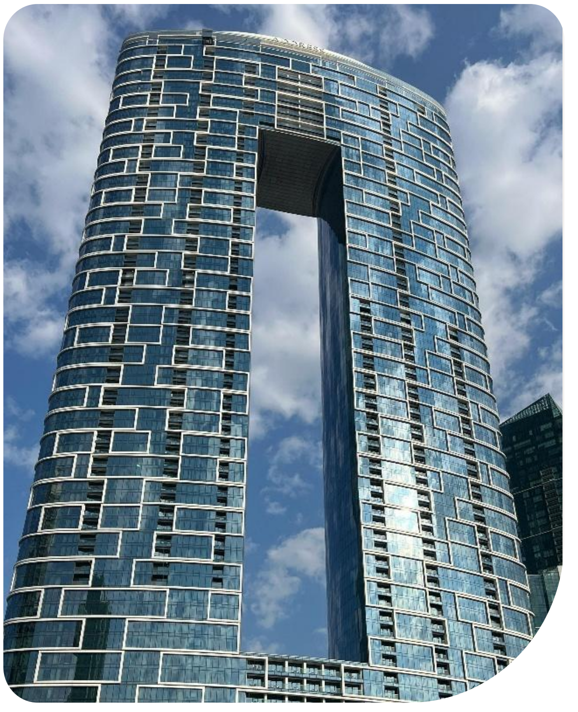
Should you need any further clarification and details regarding this update, please contact our Head of Advisory - GT Oman **Badar Al Hashmi**.

UAE Cabinet Approves Pending Protocol to Tax Treaty with Switzerland

On 2 January 2025, the United Arab Emirates Cabinet of Ministers approved the pending protocol to the 2011 tax treaty with Switzerland. This protocol, signed on 5 November 2022, marks the first amendment to the treaty and introduces changes to align it with OECD BEPS standards, among other updates. The protocol will take effect once the ratification instruments are exchanged and will generally be applicable from January 1 of the year following its entry into force.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner **Anuj R. Kapoor** or Tax Director **Hassan Fadda** or, Associate Tax Director **Tatiana Stupenkova**.

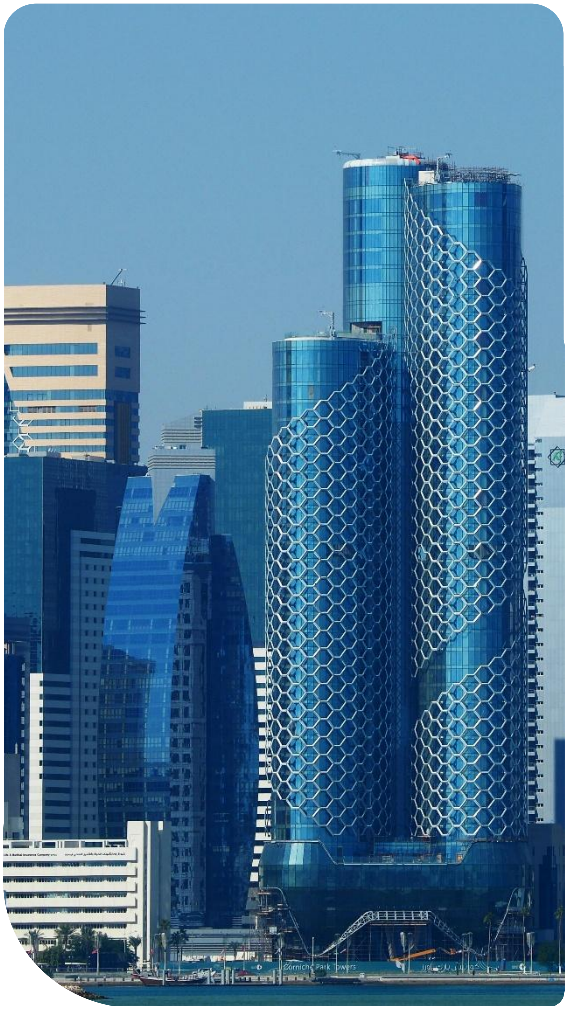
UAE Cabinet Approves Income Tax Treaty with Bahrain



On 2 January 2025, the United Arab Emirates Cabinet of Ministers gave the green light to the pending income tax treaty with Bahrain. Signed on 11 February 2024, this treaty marks the first tax agreement between the two nations. The treaty will become effective on the first day of the second month following the exchange of ratification instruments and will be applicable from 1 January of the subsequent year.

Should you need any further clarification and details regarding this update, please contact our GT Bahrain Tax Team – Senior Partner **Jatin Karia** and Director **Shashank Arya**.

Tax Treaty between Egypt and Qatar has Entered into Force



The first income tax treaty between Egypt and Qatar, signed on 27 February 2023, has officially come into effect. This landmark agreement aims to avoid double taxation and prevent fiscal evasion with respect to taxes on income.

The treaty encompasses a variety of taxes. In Egypt, it applies to individual income tax, corporate income tax, withholding tax at source, and additional surtaxes. In Qatar, it covers income tax and corporation tax.

Determining Residence

For entities other than individuals that are residents of both Contracting States, the competent authorities will mutually determine the entity's residency based on factors like the place of effective management, place of incorporation, and other relevant considerations. If no agreement is reached, the entity will not qualify for any tax relief or exemption under the treaty.

Establishment of a Permanent Establishment (PE)

A significant feature of the treaty is the definition of a permanent establishment (PE). A PE is constituted when a business provides services in a Contracting State through employees or engaged personnel for a cumulative period exceeding 183 days within a 12-month span.

Withholding Tax Rates

The treaty stipulates the following withholding tax rates:

- Dividends: 5% if the beneficial owner is a company holding at least 10% of the paying company's capital for 365 uninterrupted days; otherwise, 10%.
- Interest: 10%.
- Royalties: 10%.

Taxation of Capital Gains

Certain capital gains by a resident of one Contracting State may be taxed by the other State:

- Gains from the sale of immovable property located in the other State.
- Gains from the sale of movable property part of a PE in the other State.
- Gains from the sale of shares deriving over 50% of their value from immovable property in the other State.
- Gains from the sale of shares in a company where the seller owned at least 10% of the capital at any time during the 365 days preceding the sale.

Other capital gains by a resident of a Contracting State are only taxed by that State.

Double Taxation Relief

Both countries will use the credit method to eliminate double taxation.

Entitlement to Benefits

Under Article 28, benefits of the treaty are not granted if the main purpose of any transaction was to obtain those benefits, unless doing so aligns with the treaty's objectives. The treaty is applicable from 1 January 2025, marking a new era of tax cooperation between Egypt and Qatar.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner **Anuj R. Kapoor** or Tax Director **Hassan Fadda** or, Associate Tax Director **Tatiana Stupenkova**.

General Tax Updates

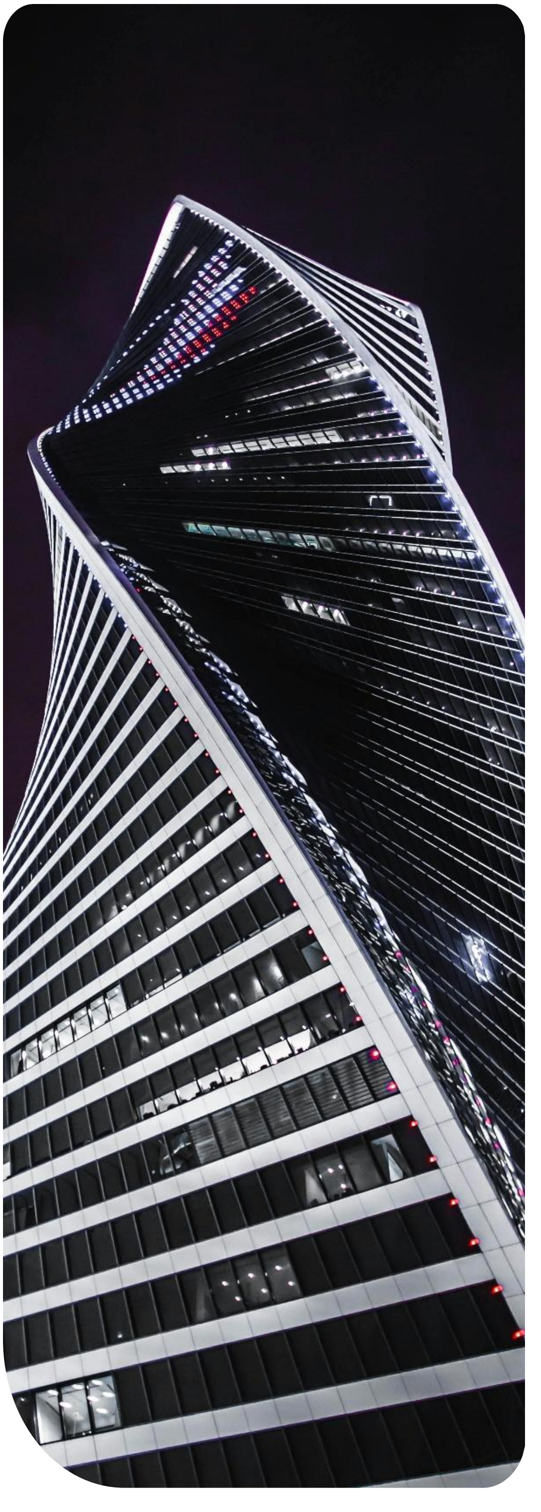
General Tax Update in Middle East Countries

Kingdom of Saudi Arabia ('KSA') – The Zakat, Tax and Customs Authority ('ZATCA') Urges Taxpayers to Take Advantage of Extended Penalty Exemption Initiative

The ZATCA has announced an extension to its initiative for the cancellation of fines and exemption from financial penalties. This initiative, effective from 1 January 2025 to 30 June 2025, provides businesses in Saudi Arabia with a crucial opportunity to rectify their tax status without incurring significant penalties. Originally introduced as a response to the economic challenges posed by the COVID-19 pandemic, this extension rein-forces ZATCA's commitment to supporting businesses in the Kingdom.

The initiative offers relief from various fines, including those related to late registration, delayed payments, overdue tax return submissions, and violations of VAT and e-invoicing regulations. Notably, the scope of this initiative covers critical tax types such as Value Added Tax ('VAT'), Income Tax, Withholding Tax, Real Estate Transaction Tax ('RETT'), and Excise Tax. However, it does not extend to penalties paid prior to the initiative's effective date or violations related to tax evasion.

To benefit from this initiative, businesses must meet specific conditions. These include registering with ZATCA where required, submitting all outstanding tax returns, accurately declaring undeclared taxes, and settling their tax debts. For businesses unable to make lump-sum payments, the initiative allows them to apply for installment plans, provided they adhere to the approved payment schedules.



The initiative is expected to have far-reaching implications for businesses across Saudi Arabia. First and foremost, it offers financial relief, particularly for small and medium-sized enterprises (SMEs) that may have struggled with penalties during challenging economic periods. By eliminating fines, ZATCA is enabling these businesses to redirect resources toward operational priorities and growth.

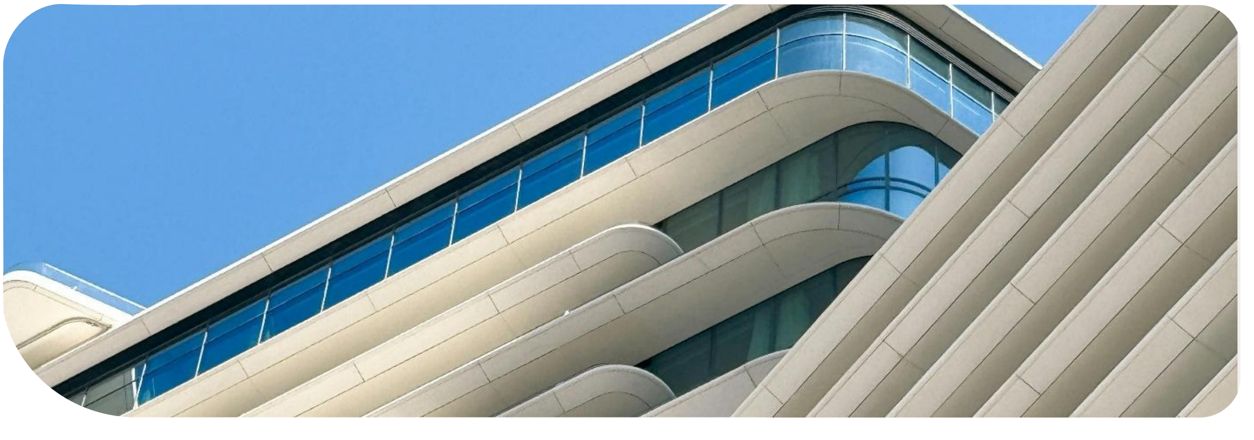
In addition to financial relief, the initiative incentivizes compliance and accurate reporting. This aligns with Saudi Arabia's broader Vision 2030 objectives, which emphasize economic modernization, transparency, and the adoption of global best practices. For businesses, complying with the initiative not only mitigates risks but also enhances their reputation among stakeholders, including investors and regulators.

The initiative also presents a valuable opportunity for advisory and professional services firms. Businesses will likely seek expert guidance to ensure compliance with ZATCA's requirements. Advisory firms can assist with reviewing tax records, filing outstanding returns, arranging installment payments, and implementing robust systems for VAT reporting and e-invoicing.

For businesses, the key to leveraging this initiative lies in taking immediate action. A thorough review of tax records is essential to identify any discrepancies or areas of non-compliance. Engaging professional services can provide the necessary expertise to navigate the complexities of tax regulations and ensure adherence to the initiative's terms. Additionally, businesses should prioritize transitioning to compliant e-invoicing systems to avoid future violations.

ZATCA's extended initiative is a game-changer for businesses in Saudi Arabia. By offering a pathway to financial relief and compliance, it paves the way for companies to strengthen their operations and align with the Kingdom's evolving regulatory landscape. Businesses that act swiftly and strategically can not only avoid penalties but also position themselves for sustainable growth and success in the years to come.

Should you need any further clarification and details regarding this update, please contact our GT KSA Tax Team – Head of Tax **Adel Daglas** or Tax Director **Mohammad Huwitat**.



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