Grant Thornton

Tax Newsletter

October 2024

Landscape

In our October 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

Indirect Tax Update

Value Added Tax in UAE

The Federal Tax Authority ('FTA') introduces amendments to the UAE VAT Executive Regulations

Effective from 15th November 2024, the FTA has introduced a host of significant changes to the UAE VAT Executive Regulations through Cabinet Decision 100 of 2024, amending Cabinet Decision No. 52 of 2024.

These amendments are intended to improve clarity and be consistent with previous modifications made to the VAT Decree-Laws., Taxpayers should carefully analyse the amendments to understand any changes that may have an impact on their business operations.

The overview of the key amendments are as follows:

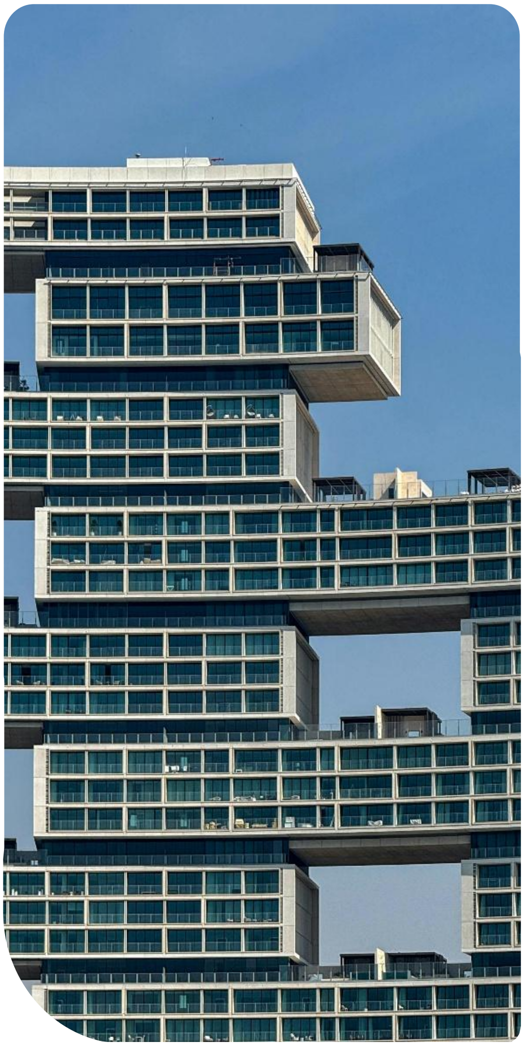
Article 1 – Additional definitions are added, including the definitions of "Virtual Assets" and "Notification".

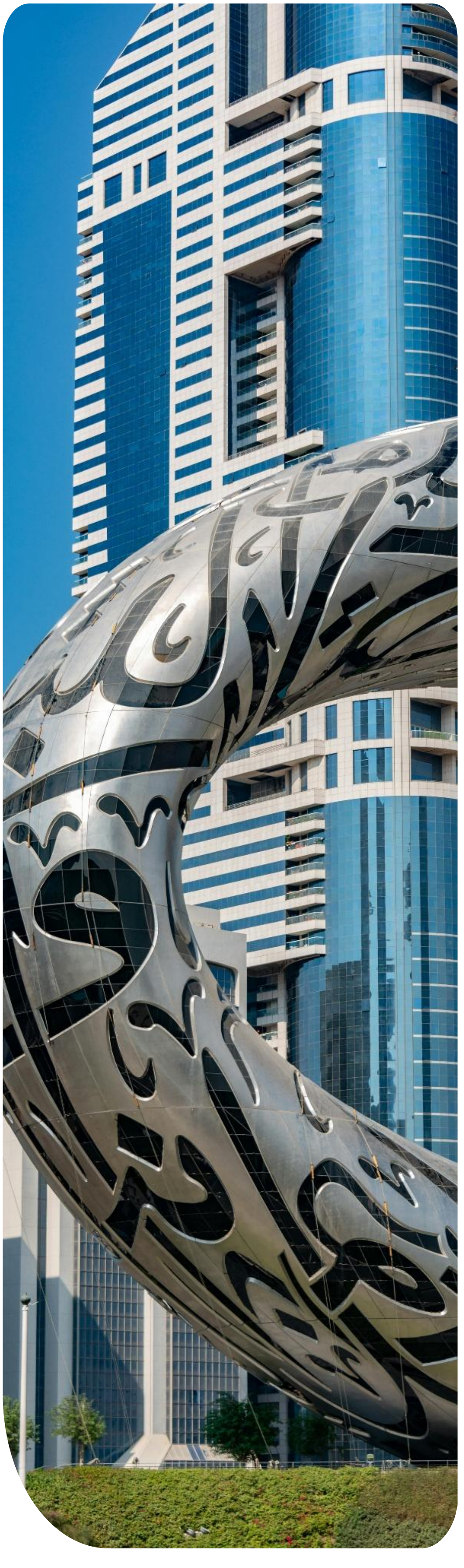
Article 2 - Any type of disposal that results in the transfer of ownership from one person to another is considered a supply of real estate, not just sales and tenancy agreements.

Article 3 - Government buildings and real estate are not regarded as supplies when ownership or the right to use of such buildings are transferred between government agencies.

Article 5 - A supply of products (including samples and commercial gifts) to each recipient within a 12-month peri-od is not considered to be a deemed supply provided the total worth of the supply does not exceed AED 500. For government agencies or nonprofit organisation, the output VAT threshold is increased to AED 250k during a 12-month period.

Article 8 – A business can only voluntarily register for VAT if the business proves to the FTA that it is carrying business in the UAE and outside UAE or intends on making taxable supplies.





Article 14, 14(bis), 15 and 16 – Amendments made in relation to Tax Deregistration.

Article 30 – The documentary conditions to satisfy the zero-rating conditions for the export of goods are reduced.

Article 31 – An additional requirement has been added to satisfy the conditions to zero-rate the export of services, where the services are not being performed in the UAE or within the Designated Zone mentioned under the clauses 3 to 8 or Article 31 of the UAE VAT Executive Regulations.

Article 38 – The FTA has removed the definition of "Relevant Charitable Activity".

Article 42 – The management of investment funds, transferring ownership of Digital Assets including cryptocurrencies and converting Digital Assets have specifically been added to the Article and are exempt for VAT purposes.

Article 53 – Input VAT on medical insurance can be recovered for employees and their dependents, up to one spouse and three children.

Article 55 – A taxable person may apply to the FTA on the approval of use of specified recovery percentage to calculate the input VAT recoverable in the tax period based on the recovery percentage of the preceding tax year.

Article 59 – A simplified VAT invoice can be issued for transactions in relation to reverse charge mechanism.

Article 60 – Registered Agents can issue a VAT credit note on goods and services on behalf of its principal, provided that the Agent maintains sufficient records to identify the principal's name, address and Tax Registration Number ('TRN') and vice versa.

The amendments to the UAE VAT framework are a significant development in the evolution of VAT in the UAE.

Taxpayers should review the amendments and assess the changes and their impact on their operations and compliance obligations making it imperative to grasp their full impact.

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

Additionally, to read our updates on the major changes in the amendments, 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.**

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 16 for implementing the Integration Phase of E-invoicing

On 27 September 2024, the ZATCA announced its 16th wave of taxpayers for implementing Integration Phase (Phase 2) of E-invoicing, which now includes taxpayers whose taxable revenue exceeds 3 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 March 2025. ZATCA has outlined below the 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
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	Post 1 June 2025
16TH Wave	Exceeds SAR 3 Million	1 April 2025	31 June 2025	Post 1 July 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**.

Customs and Excise Tax in UAE

Dubai Customs issues Customs Notice No. (05/2024) on the implementation of updated Customs Declaration

Effective from 30th September 2024, the updated Customs Declaration Form will be applicable, replacing the previous form. The customer service fee charges remain unchanged.

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**.

Economic Substance Regulations in UAE

The UAE Ministry of Finance Publishes Cabinet Decision No. 98 of 2024 Amending Cabinet Decision No. 57 of 2020 regarding Economic Substance Regulations ('ESR')

On 16 September 2024, the UAE published Cabinet Decision No. 98 of 2024 in Official Gazette Issue No. 783, amending key sections of Cabinet Decision No. 57 of 2020 related to ESR.

ESR now applies to financial years from 1 January 2019 to 31 December 2022. Accordingly, companies are no longer required to submit Economic Substance Notifications and Reports for financial years ending after 31 December 2022. This a crucial amendment to the previous Cabinet Decision No. 57 of 2020.

The new Cabinet Decision also includes two notable changes:

Elimination of Administrative Penalties: Administrative penalties imposed on license holders and exempt entities for financial years ending after December 31, 2022, are now cancelled, offering relief to businesses that previously faced penalties under the old ESR guidelines.

Refunds and Dispute Resolution: The National Evaluation Authority is now empowered to refund penalties and address grievances for financial years ending after December 31, 2022, providing additional compliance flexibility for businesses.

The changes align with the UAE's goal to support businesses by reducing regulatory burdens and creating a more favourable environment for international investment. By eliminating penalties and allowing refunds, the UAE government aims to streamline ESR compliance while maintaining its appeal to investors.

These amendments also bring up questions about ESR's future role alongside the newly introduced UAE Corporate Income Tax (CIT). Businesses and professionals will need to monitor the evolving regulatory environment to determine the ongoing importance of ESR compliance versus CIT requirements, as the UAE continues refining its tax and regulatory framework.

In our recently published **Tax Alert**, we provided a detailed understanding of the recent update issued by the Ministry of Finance. The alert offers valuable insight into what businesses need to consider in light of these changes, helping entities reassess and align their operations with the new Cabinet Decision.

To access the Tax Alert released by GT UAE, please click **here**.

The Cabinet Decision is currently available in Arabic. Please click **here** to access the document.

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**.

Corporate Tax Updates

Corporate Tax in UAE

UAE Federal Tax Authority ('FTA') Issues Public Clarification on Postponement of Corporate Income Tax Return Dead-line for Certain Entities

On 9th October 2024, the FTA released a Public Clarification (CTP004) detailing the extension of the deadline for filing Corporate Tax (CIT) returns and settling tax payments, as outlined in Decision No. 7 of 2024. This decision is effective from 25 September 2024 and allows the FTA to modify the usual nine-month CIT return filing deadline, based on Article 53(1) of the UAE CIT Law. Accordingly, the FTA has set a new filing deadline of 31st December 2024, for certain Taxable Periods.

The Public Clarification specifies that this extension applies only to entities incorporated on or after 1st June 2023 and with a Tax period that ends on or before 29 February 2024. Entities with tax periods ending after this date must adhere to the standard nine-month filing rule under Article 51 of the UAE CIT Law. Affected entities include those with tax periods ending on 31st December 2023, 31st January 2024, or 29th February 2024. This decision will not apply to Taxable persons whose Tax period ends after 29th February 2024.

The Clarification provides practical examples of affected entities, such as a company whose tax period runs from 12th June 2023 to 31st December 2023, which will now have until 31st December 2024, to file its corporate tax return. In contrast, as per the examples provided in the Clarification, a company with a tax period from 26th June 2023 to 31st May 2024, is not impacted by this extension, as its tax period ends after the February cut-off.

Additionally, the FTA warns that penalties for late filing will only start on 1st January 2025, effectively offering a grace period for businesses to meet their tax obligations without immediate financial penalties.

To access the public clarification, 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 **Isabel Strassburger** or Associate Tax Directors **Tatiana Stupenkova** and **Amisha Anil**.

Corporate Tax in Middle East Countries

Kingdom of Saudi Arabia ('KSA') – The Zakat, Tax and Customs Authority ('ZATCA') Cabinet approves the Real Estate Transaction Tax ('RETT') Law

In a recent session, the Saudi Arabian Cabinet has officially approved the RETT Law, which has been operational since October 2020. The formal approval of this law further cements the government's commitment to regulating real estate transactions and bolstering the Kingdom's economic growth objectives under the Vision 2030 initiative.

The RETT Law, initially introduced in October 2020, imposes a 5% tax on real estate sales and purchases within the Kingdom, covering various transactions such as property sales, transfers of title deeds, and real estate donations. The tax is not applied to property exchanges within families or inheritances, allowing for smoother transfer of family assets without the tax burden. This tax is de-signed to promote market transparency, discourage speculative transactions, and generate additional revenue for the government.

Since its implementation, the RETT Law has played a pivotal role in Saudi Arabia's real estate market. By introducing this structured tax framework, the government aims to stabilize property prices and encourage more sustainable development practices within the real estate sector. Industry experts note that this approval reaffirms the RETT Law's long-term role in the Kingdom's economic land-scape, especially as the country continues to attract both local and foreign investors.

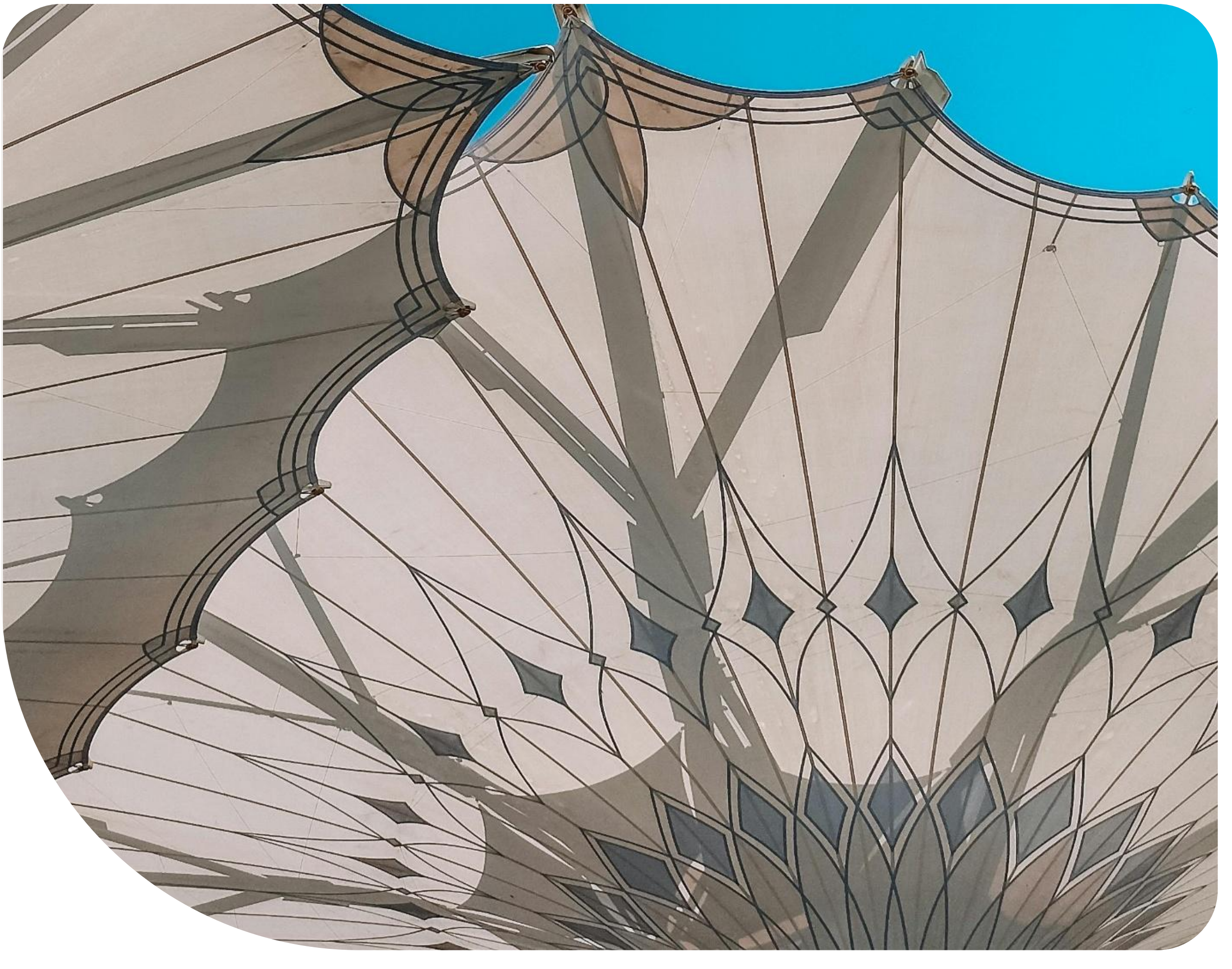
In its recent statement, the Saudi Cabinet emphasised that the formal approval of the RETT Law will enhance market clarity and foster an environment of fair and regulated real estate practices. As the Kingdom continues its journey towards economic diversification, the RETT Law is expected to play an integral role in supporting Saudi Arabia's goals by encouraging transparency and reducing volatility in the property market.

The decision highlights the Kingdom's ongoing efforts to support strategic economic reforms. With the RETT Law now formally approved, the real estate sector is set to remain a cornerstone of Saudi Arabia's diversification efforts, in line with the Vision 2030 objectives.

This approval marks a significant milestone as Saudi Arabia looks to further develop its real estate market, offering stability, growth, and increased transparency for stakeholders and investors alike.

For further information, 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 Daglas** or Tax Director **Mohammad Huwitat**.



Tax Treaty Developments

GCC Tax Treaty News

The Egyptian Tax Authority ('ETA') Publishes Synthesized Texts of Tax Treaties with Bahrain, Bulgaria, China, Greece, and Hungary as Impacted by the Base Erosion and Profit Shifting Multi-lateral Investment ('BEPS MLI')

The ETA as released the updated versions of Egypt's tax treaties with Bahrain, Bulgaria, China, Greece, and Hungary, reflecting the changes introduced by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). These updates were made based on the reservations and notifications submitted by each country to the Depositary. However, the original legal texts of the treaties and the MLI remain the authoritative and applicable documents.

The MLI applies for the **2015 Egypt-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 June 2023; and
- with respect to all other taxes, for taxes levied with respect to taxable periods beginning on or after 1 December 2022.

The MLI applies for the **2003 Egypt-Bulgaria tax treaty**:

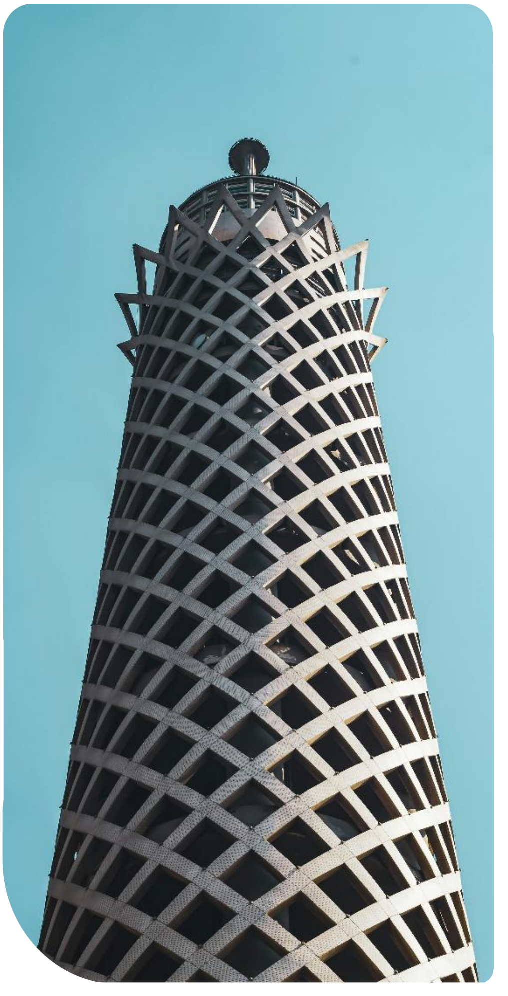
- with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after 1 January 2023;
- with respect to all other taxes levied by Egypt, for taxes levied with respect to taxable periods beginning on or after 1 July 2023; and
- with respect to all other taxes levied by Bulgaria, for taxes levied with respect to taxable periods beginning on or after 1 January 2024.

The MLI applies for the **1997 Egypt-China 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, for taxes levied with respect to taxable periods beginning on or after 1 March 2023.

The MLI applies for the **2004 Egypt-Greece 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 2022; and
- with respect to all other taxes, for taxes levied with respect to taxable periods beginning on or after 1 January 2022.

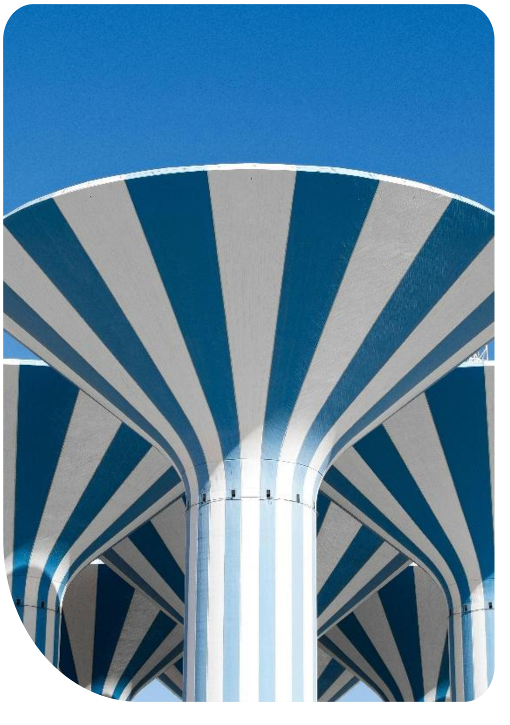


The MLI applies for the **1991 Egypt-Hungary tax treaty**:

- 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 2022; and
- with respect to all other taxes, for taxes levied with respect to taxable periods beginning on or after 1 January 2022.

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**.

Tax Treaty between Kuwait and San Marino Signed



Kuwait's Ministry of Foreign Affairs announced that on 27 September 2024, Kuwait and San Marino signed their first tax treaty addressing income and capital taxes. The treaty will come into effect once both nations exchange ratification documents. Further details of the agreement will be provided when available.

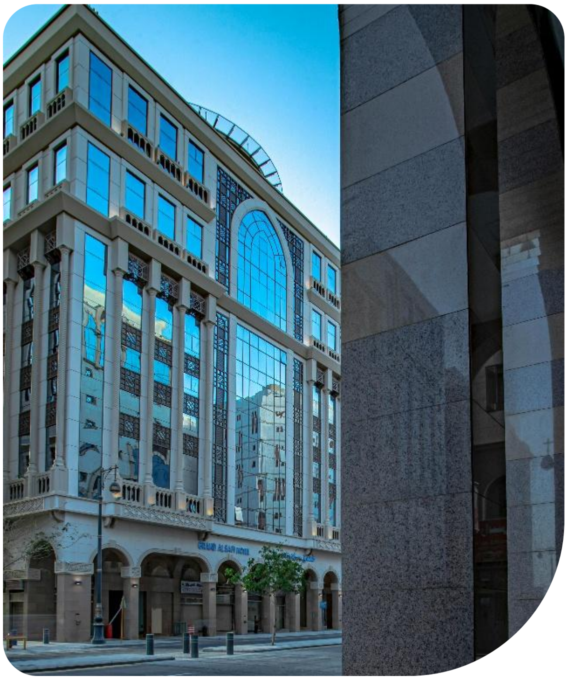
For more information, please click **here**.

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.**

Kuwait Ratifies Pending Protocol to Tax Treaty with Switzerland

On 18 September 2024, Kuwait officially ratified a protocol to update its 1999 tax treaty with Switzerland. Initially signed on 6 No-vember 2019, this protocol introduces significant amendments, including provisions to align the treaty with Base Erosion and Profit Shifting (BEPS) standards, as well as adjustments to withholding rates on dividends, interest, and other areas. The protocol will take effect once both nations exchange ratification instruments and will generally be applicable from 1 January of the year following its enforcement.

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.**



Kingdom of Saudi Arabia ('KSA') Shura Council Approves Pending Tax Treaty with Qatar

On 2 October 2024, the Saudi Shura Council approved the pending income tax treaty with Qatar. Signed on 30 May 2024, this treaty marks the first tax agreement between the two nations. It will officially take effect once both countries complete the exchange of ratification instruments.

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**.

Ireland Ratifies Pending Tax Treaty with Sultanate of Oman

Ireland has issued the Double Taxation Relief (Taxes on Income), which ratifies the pending income tax treaty with Sultanate of Oman. Signed on 30 May 2024, this treaty is the first between the two countries. It will come into effect after the exchange of ratification instruments, with provisions applying from January 1 of the year following its entry into force.

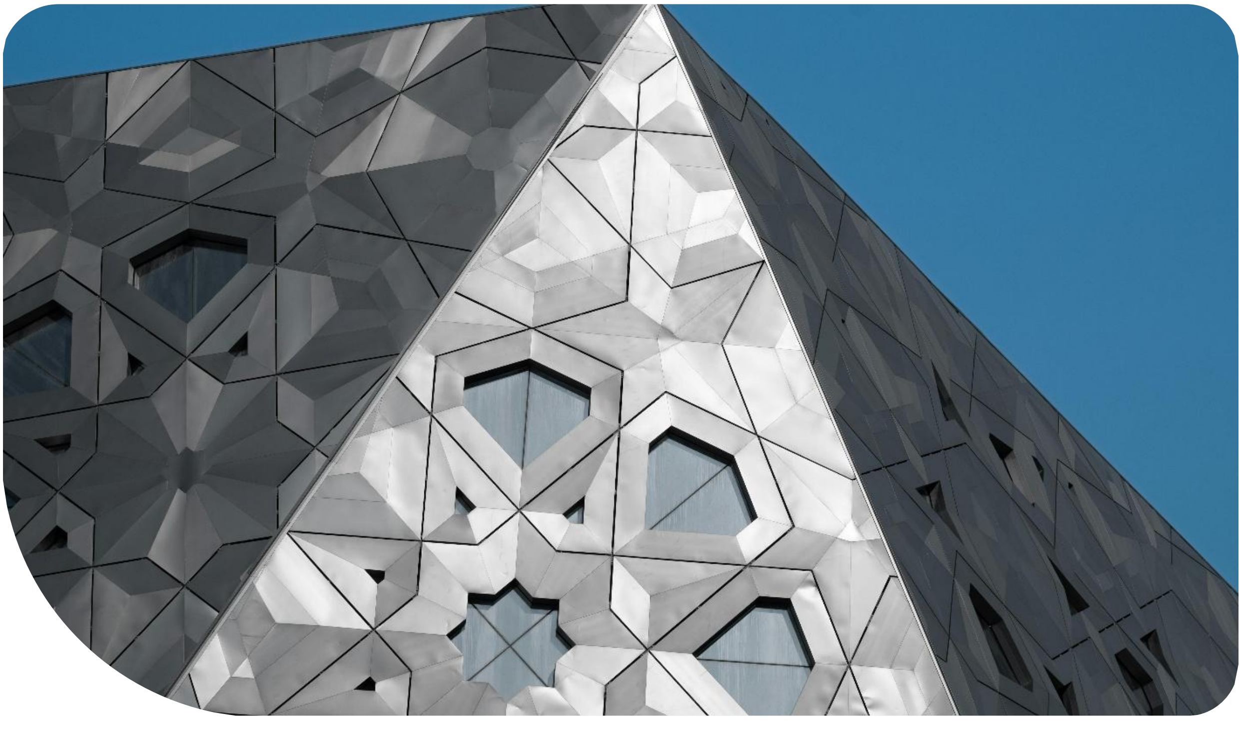
For more information, please click **here**.

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

Kuwait Ratifies Pending Protocol to Tax Treaty with South Africa

On 18 September 2024, Kuwait ratified the pending protocol amending its 2004 income tax treaty with South Africa. Signed on 1 April 2021, this marks the first modification to the original treaty. The protocol will take effect following the exchange of ratification instruments and will be applied once South Africa implements a shareholder-level taxation system for dividends.

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**.



Kuwait Ratifies Pending Tax Treaty with Iraq

On 18 September 2024, Kuwait ratified its pending income and capital tax treaty with Iraq, originally signed on 12 May 2019. This treaty, the first of its kind between the two nations, will become effective once both countries exchange ratification instruments. It is set to generally apply from January 1 of the year following its entry into force.

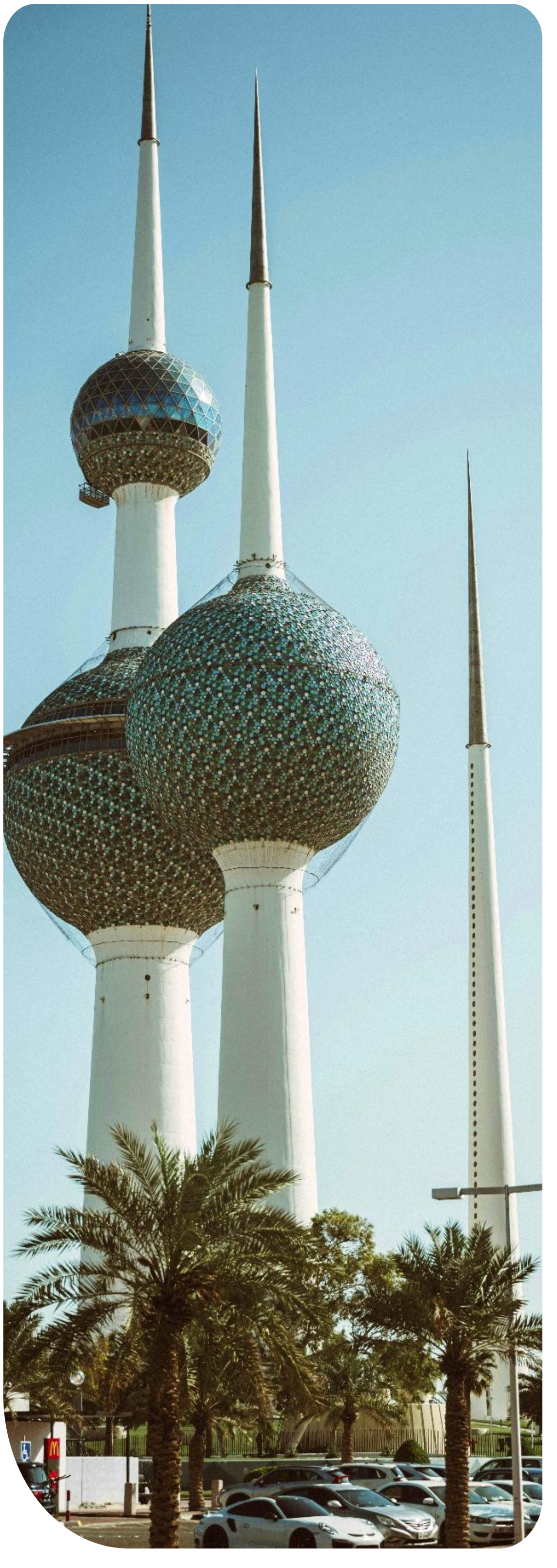
Should you need any further clarification and details regarding this update, please contact our GT KSA Tax Team – Head of Tax **Adel Daglas** or Tax Director **Mohammad Huwitat**.

Estonia Ratifies Pending Tax Treaty with Qatar

On 18 September 2024, Estonia officially published the Act ratifying its pending income tax treaty with Qatar in the Official Gazette. Signed on 7 March 2024, this treaty marks the first of its kind between the two nations. It will come into effect once the ratification instruments are exchanged and will apply from 1 January of the year following its entry into force.

To access the publication, 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 **Isabel Strassburger** or Associate Tax Directors **Tatiana Stupenkova** and **Amisha Anil**.



Tax Treaty between Sultanate of Oman and the Philippines Under Negotiation

The Philippine News Agency reports that discussions are currently taking place regarding an income tax treaty between Oman and the Philippines. This treaty would represent the first agreement of its kind between the two nations. It must be finalised, signed, and ratified before it can come into effect.

For more information, 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 **Isabel Strassburger** or Associate Tax Directors **Tatiana Stupenkova** and **Amisha Anil**.

Estonian Parliament Approves Pending Tax Treaty with Qatar

On 11 September 2024, the Estonian parliament officially approved the ratification of an income tax treaty with Qatar. Signed on 7 March 2024, this treaty marks the first agreement of its kind between the two nations. It will take effect once the ratification instruments are exchanged and will be applicable from 1 January of the year following its implementation.

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**.

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