GCC Tax Updates

04 February 2021

In this newsletter we will outline the latest tax updates in the GCC Countries in the last two months.

1. The Sultanate of Oman ("Oman")

1. Ministerial Decisions for Implementation of VAT

The Oman Tax Authority has published three Ministerial Decisions for the implementation of the Oman VAT Regime, which enters into force on 16 April 2021.

a. Ministerial Decision 1/2021[1]

The VAT Mandatory – and Voluntary Registration Thresholds have been set by the Oman Tax Authority.

- Annual supplies of OMR 38,500 for mandatory registration
- Annual supplies of OMR 19,250 for voluntary registration

b. Ministerial Decision 2/2021[2]

The supply of foodstuff eligible for VAT at a zero-rate have been determined by this decision. It covers a total of 94 items, including certain food items for basic needs (e.g., water, milk, cheese, bakery products, wheat, rice etc.).

c. Ministerial Decision 3/2021[3]

The VAT Registration process in Oman is staggered:

Category	Registration Timeframe	Effective Date of Registration
A person with annual supplies exceeding or expected to exceed OMR[4] 1,000,000	From February 1, 2021 to March 15, 2021	April 16, 2021
A person with annual supplies between OMR 500,000 and OMR 1,000,000	From April 1, 2020 to May 31, 2021	July 1, 2021
A person with annual supplies between OMR 250,000 and OMR 499,999	From July 1, 2021 to August 31, 2021	October 1, 2021
A person with annual supplies between OMR 38,500 and OMR 249,999	From December 1, 2021 to February 28, 2022	April 1, 2022

It should be noted that persons meeting the Voluntary Registration Threshold may register at any time from 1 February 2021.

2. Extension of Deadline for first CbC Report Notifications

As per Oman's standard Country-by-Country (CbC) reporting rules notifications are due by the end of the reporting fiscal year. As such, the first notifications were due on 31 December 2020.

However, an exceptional, one-off extension of the filing deadline for businesses that are required to file their CbC Notification by 31 December 2020 has been given. The Notification deadline is extended to **30 April 2021**. The deadline for filing the CbC Report remains unchanged.

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[1] Effective from January 11, 2021.

[2] Effective from April 16, 2021.

[3] Effective from January 11, 2021.

[4] Omani Riyal.

2. Qatar

1. Tax Treaty Updates

In the framework of global strategic partnerships, Qatar has set further steps with Slovenia and Argentina on developing and expanding its Double Taxation Agreements (hereafter: **"DTA"**) network. The MLI has impacted the DTA between Qatar and Slovenia. In this regard synthesized texts of the DTA has been published with the effects of the provisions of the MLI:

- 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 levied by Qatar or Slovenia, for taxes levied with respect to taxable periods beginning on or after 1 October 2020.

Further, Argentina has recently published the law which provides for the ratification of the DTA between Qatar and Argentina. The treaty is the first of its kind between these countries and will enter into force once the ratification instruments are exchanged.

2. Special Exempt Status in accordance with New Substance Requirements

The Qatar Financial Centre (hereafter: **"QFC"**) has issued the latest version of its Tax Regulations. These Tax Regulations apply to all QFC Entities and to Partners and Members in, and directors, officers, employees, trustees, and Representatives of QFC Entities.[5]

The amendments apply for accounting periods beginning on or after 21 December 2020. The main amendments in the latest version are related to the introduction of new provisions to extend the election for special exempt status. The QFC entities listed on the Qatar Stock Exchange or another approved public market in Qatar are included.

Moreover, the substance requirements in relation to special exempt states have been stipulated. The following requirements apply for special funding companies, alternative risk vehicles, and listed companies, while registered funds and special investment funds are excluded as per the regulations:

(a) The QFC Entity has in Qatar an adequate number of full-time employees with adequate qualifications to perform their professional responsibilities.

(b) The QFC Entity incurs an adequate number of operating expenditures to undertake its activities; and

(c) The QFC Entity ensures that its core income generating activities are carried out in Qatar.

The Tax Department shall monitor QFC entities that have made an election for special exempt status to ensure compliance with the conditions of the regulations.

3. The Kingdom of Bahrain ("Bahrain")

1. Place of Supply of Telecommunication Services

Bahrain's National Bureau for Revenue (hereafter: **"NBR"**) has published their VAT Public Clarification on the place of supply of telecommunication services.

The amendments related to the special place of supply rule for telecommunications services will take effect from 1 February 2021. The place of supply of telecommunications services will be in Bahrain if they are used in Bahrain and to the extent of their use and enjoyment in Bahrain.

The supplier of the service should determine use and enjoyment of customers in Bahrain by use of five indicative factors, such as Internet Protocol ('IP') address, SIM card, customer's address, customer's bank account and other information of a commercial nature.

2. DTA: Bahrain – Pakistan

The amended version of the Income and Capital Tax Treaty (2005) between Bahrain and Pakistan has been published. The amending protocol has been signed on April 8, 2019 and entered into force on July 13, 2020. The amending protocol includes changes regarding:

- the definition of competent authority; and
- article on Shipping and Air Transport; and
- article on Exchange of Information.

3. Updated VAT General Guide

The NBR has published an updated VAT General Guide. In order to ensure the correct VAT treatment of a supply made by or to a person with more than one place of residence, NBR provides guidance on how to determine the which establishment is most closely connected with a supply.

The following factors should be considered in determining which establishment is most closely connected with a supply:

- Which establishment appears on the contracts, correspondence, and invoices.
- Where the directors or other official who entered into the contract to make or receive the supply are permanently based.
- At which establishment decisions are taken and controls are exercised over the performance of contracts.
- From which establishment the services are actually provided or, as the case may be, used or consumed.
- The nature of the work undertaken by each establishment to make or receive the supply, as the case may be.
- The extent of involvement of each establishment's personnel in the provision of or receipt of the supplies

Further, the updated guide provides information regarding the fees payable for NBR services and the procedures for requesting a review of an assessment.

4. The Kingdom of Saudi Arabia ("KSA")

1. E-Invoicing Regulations

The General Authority of Zakat and Tax (hereafter: **"GAZT"**) has published the E-Invoicing Regulations on December 4, 2020. The regulations have become effective from starting the date of publication, providing that the implementation in terms of invoices generation will become mandatory for taxpayers. Further, the regulations define the terms, requirements, and conditions related to electronic invoices. According to the regulations, the electronic invoice is defined as:

- An invoice generated, stored, and amended in a structured electronic format through an electronic solution, which includes all the requirements of a tax invoice and excludes scans or copies of invoices.

The KSA is implementing Electronic Invoices for several reasons as reducing the shadow economy, increasing compliance with tax obligations, and reducing commercial concealment.

[5] Version 6, December 2020 – Qatar Financial Centre.

The regulations apply to all taxpayers subject to KSA VAT and must be complied within the next 12 months i.e., by 4 December 2021. However, non-resident taxable persons for KSA VAT purposes are excluded from the E-Invoicing requirements.

2. Extension of Tax Amnesty by 6 months

The GAZT has extended its penalty relief initiative in response to the Covid-19 pandemic by an additional 6 months to 30 June 2021.[7] The tax amnesty appears as following:

- 100%: provided where the principal amount of outstanding tax due is paid before 21 January 2021.
- 100%: provided where the principal amount of outstanding tax due is paid from January to March 2021.
- 75%: provided where the principal amount of outstanding tax due is paid from April to May 2021.
- 50%: provided where the principal amount of outstanding tax due is paid in June 2021.
- 0%: provided in relation to penalties for tax evasion.

3. Amendments on RETT Implementing Regulations

The Real Estate Transaction Tax (hereafter: **"RETT"**) in KSA was introduced with effect from October 4, 2020. It applies to all land and property sales (and rights thereto), assignments, transfers and similar that take place in the KSA. The general rate applicable is 5% of the value of the land and property (and rights thereto) unless exemptions apply. Recently, the Board of Directors of GAZT has approved the amendment to article 3 (a) of the KSA RETT Implementing Regulations.

As result of the amendment, the following transactions have been partially or in full excluded from the scope of taxation:

- Disposal of the property as an in-kind contribution by any person as the capital of the joint stock companies where the corresponding shares are not disposed of for a period of five years; and
- Disposal of the property by a shareholder/partner in a company to the company's name; and
- Disposal of the real estate properties as an in-kind contribution by any person in the capital of a real estate investment fund upon establishing the fund in accordance.

5. United Arab Emirates ("UAE")

1. Amended UAE Company Law – 100% Foreign Ownership

The UAE Federal Decree-Law No. 26/2020 entered into force on 02 January 2021. This Decree-Law provides the amendments of UAE Commercial Company Law 2015.[8] The new Decree-Law is focused on increasing flexibility and promoting foreign investment.

The most important changes concerning foreign ownership is the repeal of the general ''49/51 rule''. That rule provides that a UAE national or company wholly owned by a UAE national must own at least 51% of the capital of a UAE company.

As a result of the amendments, foreign investors are allowed to hold and own up to 100% of a UAE company, including a single-shareholder company. However, foreign ownership restrictions will still apply in relation to certain activities with so-called strategic impact. The list of these activities is being finalized along with minimum UAE participation and licensing requirements.

Other important amendments:

- The repeal of the requirement for a UAE national to act as a service agent of a branch office in the UAE.
- The repeal of the requirement that UAE nationals must serve as the chairman and form the majority of the board members of public and private joint-stock companies. However, specific requirements may be introduced for activities with strategic impact.

2. Deactivation of VAT 301 - form

Since the implementation of UAE VAT, the VAT301 form has been available on the FTA Portal for manually processing the VAT payment on Customs Declarations for users with a Tax Registration Number ("TRN"). Recently, the Federal Tax Authority (''FTA") has communicated to the taxpayers that the VAT301 form will be deactivated for all users who have a valid TRN.

From 23 February 2021, taxpayers who already have a valid TRN are obligated to link their TRN with their Customs Code. If a taxpayer who intends to import or export goods does not have a Customs Code, then the taxpayer will be required to register with the Customs Department and thereafter link their Customs Code with their TRN.

The VAT 301 form will remain available for the following entities:

- Designated entities exempted by FTA.
- Free zone Companies that exports through land to GCC Countries from designated zones for VAT purposes.
- FTA approved Shipping and Clearance Agencies that clear shipments on behalf of registered and non-registered importers with FTA.

If you have any questions on the latest GCC Tax updates or for a deeper discussion of how this issue might affect your business, please do not hesitate, and feel free to contact us on: tax.services@crowe.ae

[7] The prior extension date was 31 December 2020.

[8] Federal Decree Law No. 2 of 2015.

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