



# TAX & COMPLIANCES INSIGHTS & UPDATES

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August 2022

## PARTNER'S MESSAGE



Corporate tax in the UAE has generated interest among businesses and tax experts ever since it was unveiled. According to trustworthy media and information sources, we anticipate that the corporate tax law will be released in the middle of September. Organizations that follow the financial on or after June should adopt corporate tax in a constructive way.

Clearly, the introduction of corporate tax in the UAE will have an influence on how companies operate, the way they are structured, the potential influence on their income and revenues and how future mergers and acquisitions are handled. Therefore, it is imperative that entities take proactive measures to prepare their businesses for adoption prior to their effective dates.

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# UAE Updates

## **Kuwait signs a treaty with the United Arab Emirates (UAE)**

Kuwait signs a treaty with the United Arab Emirates (UAE) for avoidance of double taxation (tax treaty). This is great news for entities involved in businesses across the two countries, particularly ahead of the proposed corporate tax regime of the UAE. The Kuwait-UAE tax treaty is the first tax treaty Kuwait signs with a GCC country.

## **Dubai Customs introduced a new service**

Dubai Customs introduced a new service, Submit Self-Audit Findings, to companies and individuals in the UAE- enabling companies and individuals to apply for voluntary disclosures for all errors and omissions occurred during drafting and submitting the customs declaration.

## **Authorities foreclose Dubai-based establishment for violating regulations and trading tobacco products unmarked with Digital Tax Stamps**

The Federal Tax Authority (FTA) carried out an inspection campaign in collaboration with the General Department of the

Federal Criminal Police at the Ministry of Interior and Dubai Police General Headquarters – represented by the General Directorate of Criminal Evidence and Criminology (Department of Anti-Economic Crime) – which led to the foreclosure of a commercial establishment in the Emirate of Dubai that was trading tobacco products unmarked with Digital Tax Stamps.

In a press statement issued today, the FTA revealed that all products in violation at the establishment were confiscated – a total of 5,430,356 packs with AED 91,833,016.40 in due taxes. The Authority implemented the necessary legal measures against the non-compliant establishment, as part of its efforts to strengthen control over markets in order to combat tax evasion, promote tax compliance, and protect consumers.

## **Federal Tax Authority resumes Tax Clinic initiative with field activities in Ras Al Khaimah and Sharjah**

Organised by the Federal Tax Authority (FTA) to establish and maintain direct communication with business sectors, the Tax Clinic initiative has resumed its field

activities across the emirates with sessions in Ras Al Khaimah and Sharjah designed to raise tax awareness and enhance tax compliance.

In a press statement issued today, the FTA revealed that two new rounds of sessions were held in August 2022 under the Tax Clinic campaign, the first of which was held over three days (from 16 to 18 August) at Tasheel Enjaz – Alrams Centre in Ras Al Khaimah, while the second round took place at the Tasheel-Al Thiqah Multi-Services Centre in Mleiha in the Emirate of Sharjah, from 23 to 25 August.

## **New real estate rule regarding payments using virtual assets and cash**

The new regulation makes UAE one of the first countries to implement such a mechanism for real estate transactions involving virtual assets and cash amounts. Payments the real estate transactions in UAE through virtual assets, sale of virtual assets or cash amount above AE 55,000 will have additional reporting to authorities. The introduction of new reporting requirement was announced by the Ministry of Economy (MoE) and Ministry of Justice (MoJ) in partnership with FIU.

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## IMPORTANT

*Is it mandatory to follow the Central bank of UAE exchange rate in the foreign currency tax invoices issued? Whether it is possible to apply for a VAT administrative exception for the same?*

*As per Article 69 of the Decree Law explicitly require that, for purpose of the tax invoice, the amount stated in the tax invoice in a currency other than UAE Dirham shall be converted into the UAE Dirham according to the exchange rate approved by the Central Bank at the date of supply.*

***This is not an administrative aspect but a legal requirement and cannot be overridden by the administrative exception.***

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# GCC Updates

## KSA

### The Kingdom of Saudi Arabia's (KSA) Zakat, Tax and Customs Authority (ZATCA) approves Rules and Procedures (Rules) on input Value Added Tax (VAT)

The Kingdom of Saudi Arabia's (KSA) Zakat, Tax and Customs Authority (ZATCA) approves Rules and Procedures (Rules) on input Value Added Tax (VAT) recovery by qualified / licensed real estate developers purchasing goods and services in the KSA for providing real estate related services, which are exempt from VAT.

Earlier this year, ZATCA issued the draft version of the Rules for Public Consultation. ZATCA formally approved the draft version of the Rules by adopting Ministerial Decision No. 1754, effective 29 July 2022.

### Zakat, Tax, and Customs Authority (ZATCA) announced that value added tax (VAT) will be imposed on gold

Zakat, Tax, and Customs Authority (ZATCA) announced that value added tax (VAT) will be imposed on gold if its purity level is less than 99 percent. The authority clarified

that gold is subject to zero VAT if its purity level is 99 percent or above, in addition to being tradable in the global bullion market only. ZATCA emphasized that 15 percent of VAT will be applied to gold jewellery when sold by a person registered in the VAT system. According to Asharq Al-Awsat newspaper, the global stock markets witnessed wide fluctuations while gold prices fell to their lowest levels in nearly a year. This was attributed to the impact of the increased interest rates made by major central banks to curb rising inflation on the precious metal.

## BAHRAIN

### Tax violations reported as a result of field inspections

Tax violations reported as a result of field inspections As per local news reports, the National Bureau for Revenue (NBR), in cooperation with the Ministry of Industry, Commerce and Tourism (MoICT), recently conducted field inspection of 80 commercial establishments which resulted in detection of 35 VAT violations.

### National Bureau for Revenue (NBR) raises awareness about VAT registration certificates and simplified tax invoices

National Bureau for Revenue (NBR) raises awareness about VAT registration certificates and simplified tax invoices. The NBR has recently released infographics on its social media channels on the correct way to display the VAT registration certificate and issuance of compliant simplified tax invoices.





# International Updates

## HONG KONG

### Implementation of pillar two in Hong Kong has now deferred from 2023 to 2024

Implementation of pillar two in Hong Kong has now deferred from 2023 to 2024 at the earliest. The government is planning to launch consultation towards the end of 2022 for inviting the view and comments. It was mentioned in the budget 2022-23 that it would consider introducing domestic minimum top-up tax starting from assessment year 2024 - 25.

## SWITZERLAND

### Public consultation publishes on draft ordinance regulating minimum taxation

Public consultation document was issued by Swiss federal council on draft ordinance for the implementation of pillar two model rules. According to the council, the regulations are currently scheduled to become effective from 1st January 2024. The consultation ends on 17th November 2022.



## BOTSWANA

### Temporary reduction in VAT Rates

The ministry of finance announced temporary reduction in VAT rates that will be effective from 1st August 2022 to 31st January 2023 to reduce the cost of living.

- ◆ Reduction in the standard rate to 12%
- ◆ Reduction in rate on cooking oil & liquid petroleum gas to 0%

## OECD

### Public comments received on the Progress Report on Amount A of Pillar One

The Organisation for Economic Cooperation and Development (OECD) released comments received on its Progress Report on Amount A of Pillar One. On 11 July 2022, as part of the ongoing work of the OECD/G20 Inclusive Framework on BEPS to implement the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy.



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