Tax Updates

March 2024

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Dear Valued Readers,

Eid Mubarak in advance! As we eagerly anticipate the upcoming festivities, I extend my heartfelt Eid greetings to you and your families. May this blessed occasion fill your hearts with joy, your homes with laughter, and your lives with prosperity.

In conjunction with the festivities of Eid, I am pleased to present our monthly tax update for March 2024. This month has been marked by significant developments in the tax landscape across various jurisdictions, including the United Arab Emirates, Qatar, Kingdom of Bahrain, Kingdom of Saudi Arabia, OECD countries, India, Singapore, United States, and United Kingdom.

These updates encompass a diverse range of topics, from tax treaties and VAT regulations to penalty exemption initiatives and international agreements. Our aim is to keep you informed and empowered, enabling you to navigate the complexities of the tax environment with confidence and clarity.

As we come together to celebrate Eid and cherish moments of togetherness, let us also reaffirm our commitment to excellence in all endeavours. By staying informed, proactive, and collaborative, we can ensure that our businesses thrive in an ever-evolving regulatory landscape.

Once again, Eid Mubarak to you and your loved ones. May this joyous occasion bring you peace, happiness, and abundant blessings.

CA Manu Palerichal
Partner & CEO

Tax Updaates

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Our Team

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United Arab Emirates

UAE Corporate Tax - Taxation of Partnerships Guide

The Federal Tax Authority (FTA) released a Corporate Tax (CT) Guide on Taxation of Partnerships on 4 March 2024. This guide serves as a significant resource, providing clarifications and additional insights on various important topics in relation to the taxation of Partnerships as well as the associated compliance requirements.

The guidance covers matters such as the different types of partnerships and their key features, partnerships that will be viewed as taxable persons for CT purposes, the CT treatment of unincorporated partnerships, and the application of specific areas of the CT law to partnerships. It also covers the associated compliance requirements.

UAE issued Public Consultation on implementing Pillar 2 Global Minimum Tax Rules

The United Arab Emirates Ministry of Finance has initiated a public consultation on implementing the Pillar 2 Global Minimum Tax (GloBE) Rules, set forth by the OECD/G20 Inclusive Framework on BEPS.

The consultation documents seeks stakeholders' input on policy design options to address GloBE Rules globally, focusing on aspects such as domestic implementation issues, interactions with the UAE's corporate tax system, and methods to minimize compliance costs.

The consultation documents can be accessed via the following link:

https://mof.gov.ae/global-minimum-tax-public-consultation/.

The Ministry of Finance welcomes comments on this consultation by 10 April 2024.

Registration for Corporate Tax now available through Government Service Centers

On 20 March 2024, The UAE Federal Tax Authority has announced that it has made the service to submit corporate tax registration requests available through 23 Government Service Centres located across the UAE.

The centers provide services enabling taxpayers to:

- Electronically submit their application and validate entered data accuracy with service providers.
- FTA experts will internally review the application.
- Applicants will subsequently receive their Tax Registration Number (TRN) via the email address provided in the Corporate Tax registration application.

Users can browse the list of accredited centers that are authorised to offer Corporate Tax registration request services on the FTA's official website at:

https://tax.gov.ae/en/tax.support/tasheel.centers.aspx

Argentine Senate approves treaties with UAE

On 14 March 2024, the Argentine Senate approved international agreements with the United Arab Emirates. Argentina — United Arab Emirates agreement was entered for the reciprocal promotion and protection of investments.

New Tax Law for Foreign Banks operating in the emirate of Dubai

On 7 March 2024, His Highness Sheikh Mohammed bin Rashid Al Maktoum, the Ruler of Dubai, issued Law No. (1) of 2024, replacing the previous Regulation No. (2) of 1996, concerning the taxation of foreign banks in Dubai.

The new law imposes a 20% annual tax on taxable income for foreign banks operating in Dubai, excluding those licensed within the Dubai International Financial Centre (DIFC). However, foreign banks subject to Corporate Tax under Federal Law No. (47) of 2022 are eligible for a deduction equivalent to the amount of Corporate Tax paid.

This measure aims to prevent double taxation. The law is expected to take effect for tax periods starting after 8 March 2024, potentially affecting the tax year beginning 1 January 2025 for banks with a December year-end.

Further clarification may be necessary regarding the availability of tax credits for the fiscal year 2024.

UAE Cabinet Approves New Tax Treaty with the Czech Republic

On 18 March 2024, the United Arab Emirates Cabinet of Ministers approved the new income tax treaty with the Czech Republic.

The treaty, signed 24 May 2023, will enter into force once the ratification instruments are exchanged and will apply from 1 January of the year following its entry into force. Once the new treaty is in force and effective, the 1996 tax treaty between the two countries will cease to apply.

State of Qatar

Tax Treaty between Estonia and Qatar signed

On 7 March 2024, officials from Estonia and Qatar signed an income tax treaty. The treaty is the first of its kind between the two countries and will enter into force after the ratification instruments are exchanged.

Kingdom of Bahrain

Extension of VAT Records Retention Period

On 28 February, National Bureau for Revenue ('NBR') announced an extension to the retention period of VAT records and accounting books for additional five years.

As per the provisions outlined in paragraph (D) of Article (103) of the Executive Regulations of the VAT Law, the NBR may, before the expiry of the periods stipulated in the Article, notify the company where there is a need to retain records for a further period, which shall not exceed five years.

This decision comes as part of the bureau's ongoing efforts to streamline tax administration and ensure the integrity of financial records.

Bahrain-Hong Kong SAR tax agreement signed

Hong Kong SAR (HKSAR) signed a comprehensive double taxation agreement (CDTA) with Bahrain on 3 March 2024.

Bahrain is one of the economies participating in the Belt and Road Initiative. This is the 49th CDTA concluded by HKSAR. The CDTA will enter into force after the completion of ratification procedures by both jurisdictions.

The tax agreement provides that dividends and interest will be taxable only in the state of residence of the recipient. A withholding tax rate of 5% will apply to royalties.

Kingdom of Saudi Arabia

Saudi Arabia Encourages Taxpayers to Benefit from Penalty Exemption Initiative

The Saudi Zakat, Tax, and Customs Authority ('ZATCA') have initiated a penalty exemption initiative until June 30, 2024.

This initiative covers fines for late registration, payment, and filing of returns across all tax laws, including VAT-related fines.

To qualify, taxpayers must be registered with tax laws, submit all outstanding returns, pay principal tax debt, and may request an installment plan. However, penalties related to tax evasion violations are excluded.

ZATCA encourages taxpayers to review the initiative details on its website for comprehensive guidance on eligibility criteria and procedures.

France and Saudi Arabia Agree to Tax Treaty Extension

France has published Decree No. 2024-227 of 14 March 2024 in the Official Gazette, which concerns an exchange of notes signed with Saudi Arabia on the renewal of the 1982 tax treaty between the two countries.

As provided by Article 20 (Entry Into Force and Termination), the treaty initially applied for a period of five years, with the option for further extension for five-year periods.

Previously extended to 31 December 2023, the exchange of notes provides for a further five-year extension of the treaty from 1 January 2024.

New Bonded Zones Rules in Saudi Arabia

The Bonded Zones Rules (the "Rules"), previously open for public consultation, have been officially approved by the ZATCA and are now available on the official ZATCA platform.

These Rules delineate ZATCA's duties and responsibilities, governing customs matters concerning bonded zones and operational controls consistent with the GCC Common Customs Law. Published on December 9, 2023, under Administrative Resolution No. (28918). The Rules will come into effect ninety (90) days from the date of publication, starting from March 8, 2024.

The document can be accessed at

https://zatca.gov.sa/en/RulesRegulations/Taxes/Documents/Bonded_zones_Rules%26Regulation.pdf

Others

OECD

Sixth peer review report released on preventing treaty shopping

On 20 March 2024, The OECD revealed the publication of the sixth peer review report assessing the implementation of the BEPS action 6 minimum standard on treaty shopping.

This report evaluates jurisdictions' endeavors to combat tax treaty shopping and other forms of treaty abuse. Additionally, revised peer review documents were issued, outlining the methodology for future peer reviews starting in 2024.

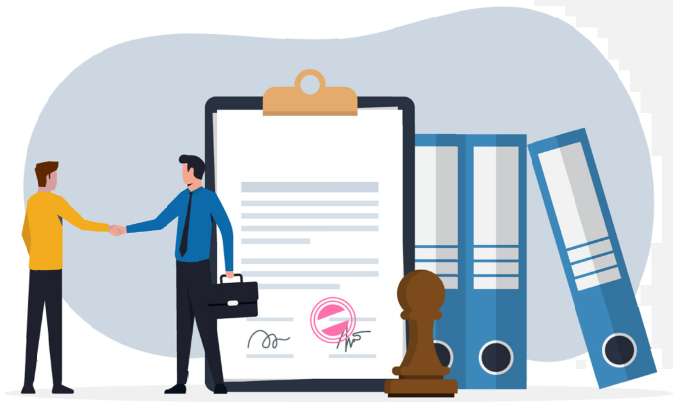
The report encompasses 142 jurisdictions that were members of the OECD/G20 Inclusive Framework on BEPS as of 31 May 2023, incorporating information on the tax treaties established by each jurisdiction.

Working paper released on design of presumptive tax regimes in selected jurisdictions

On 19 March 2024, the OECD published a working paper, titled "The design of presumptive tax regimes in selected countries."

This paper compiles detailed information on presumptive tax regimes in 11 jurisdictions, aiming to reduce tax compliance costs for micro and small businesses while encouraging tax compliance and formalization.

The paper identifies common features, divergences, strengths, and challenges in their design and administration of the regimes that impose a lower tax burden compared to standard tax systems.



India

India Notification on Withholding Tax Exemption on Certain Payments to IFSC Units

India's Central Board of Direct Taxes (CBDT) issued Notification No. 28/2024 on 7 March 2024, which provides rules for a withholding tax exemption on certain payments to a "Unit" of an International Financial Services Centre (IFSC).

The withholding exemption is available for IFSC units claiming a 10-year deduction (exemption) under section 80LA of the Income Tax Act, 1961. To claim the withholding exemption, the qualifying IFSC unit (payee) must provide the payer with a specified form (attached to the notification). The notification enters into force on 1 April 2024.

India Notes Activation of MFN Clause in Tax Treaty with Spain for Royalties and Fees for Technical Services

India's Central Board of Direct Taxes (CBDT) issued Notification No. 33/2024 on March 19, 2024, activating the Most Favored Nation (MFN) clause in the final protocol to the 1993 income and capital tax treaty with Spain.

According to this clause, if India limits its taxation at source on royalties or fees for technical services to a rate lower than that in another OECD member's treaty with India after January 1, 1990, the same rate applies to the India-Spain treaty.

Consequently, royalties and fees for technical services under the India-Spain treaty will now be subject to a 10% withholding tax rate, effective from the assessment year 2024-25.

Singapore

Advance Ruling on tax implications of repayments upon liquidation

The Inland Revenue Authority of Singapore has published Advance Ruling Summary No. 1/2024 on whether repayments upon liquidation are subject to Singapore income tax.

The Liquidation Proceeds to be derived by Company upon liquidation are capital in nature and accordingly will not be subject to income tax under the provisions of the ITA.

The Liquidation Proceeds represent a return of capital to Company A upon liquidation of Company B. Thus, it is not taxable under section 10(1) of the ITA.

Singapore Updates e-Tax Guide on Tax Treatment of Pharmaceutical R&D and IP Expenditure

The Inland Revenue Authority of Singapore (IRAS) released the fourth edition of the e-Tax Guide titled "Pharmaceutical Manufacturing Industry: Tax Treatment of Research & Development and Intellectual Property-Related Expenditure."

This updated guide incorporates editorial adjustments and reflects extensions of R&D tax measures until 2028. Additionally, it provides enhanced details on available R&D deductions along with other revisions.

The Inland Revenue Authority of Singapore has published Advance Ruling Summary No. 1/2024 on whether repayments upon liquidation are subject to Singapore income tax.

United Kingdom

Details of new evidence requirements for creative industries tax reliefs published

The UK Finance Act 2024 introduces a novel obligation for companies benefiting from creative industries tax reliefs to furnish additional details substantiating their claims.

Following the release of guidance and an accompanying evidence form on 19 February 2024, HM Revenue & Customs issued The Relief for Creative Industries (Additional Information Requirements and Miscellaneous Amendments) Regulations 2024 (SI 2024/320) on 5 March 2024. These regulations take effect from 1 April 2024.

United States

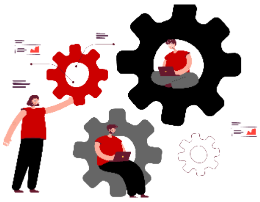
IRS exempts Form 1042 filers from requirements to e-file for tax year 2023

On February 27, 2024, the US Internal Revenue Service (IRS) issued Notice 2024-26, providing an exemption for Form 1042 filers from the electronic filing requirement for tax year 2023.

This exemption applies to withholding agents who are financial institutions, partnerships with over 100 partners, or those filing 10 or more specified returns in a calendar year, as mandated by final section 6011(e) regulations released on February 23, 2023.

The regulations initially aimed to apply to taxable years ending on or after 31 December 2023, with the obligation to e-file for Forms 1042 due on or after 15 March 2024

Our Services



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- Accounting & Financial Reporting
- Accounting Outsourcing
- Updating of Backlog Accounts
- Fixed Asset Management
- Standard Operating Procedures.
- Inventory Verification

TAX

Direct Tax

- UAE Corporate Tax
  - » First Time Adoption
  - » Tax Compliance
  - » Tax Advisory
  - » Tax Training
- Transfer Pricing [TP]
  - » Country by Country Reporting [CbCR]
  - » TP Local File and Master File
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- International Tax
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  - » Economic Substance Regulation
  - » Tax Residency Certificate
  - » Ultimate Beneficial Owner Regulation [UBO]

Indirect Tax

- Value Added Tax [VAT]
  - » Advisory
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  - » Pre- Tax Audit
  - » VAT Return Filing & Refund
  - » Registration/De-registration
  - » Representation to FTA
- Excise Tax
- Customs Tax

Company Incorporation

- Company Formation
  - » Mainland
  - » Free Zone
  - » Offshore
- Local | Corporate Sponsorship
- Company Liquidation
- Offshore Registered Agent –JAFZA
- PRO Service

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