



CONSULTING

# TAX RECAP

## GCC TAX AND REGULATORY OVERVIEW

January 2025

# AGENDA



|                            |    |
|----------------------------|----|
| 1. Bahrain                 | 03 |
| 2. Oman                    | 05 |
| 3. Qatar                   | 10 |
| 4. Kuwait                  | 12 |
| 5. Kingdom of Saudi Arabia | 14 |
| 6. United Arab Emirates    | 20 |

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# BAHRAIN

## CORPORATE INCOME TAX

- Transfer Pricing Requirements Updated
- Registrations due under DMTT law in January 2025

## TAX TREATY

- Bahrain and Oman Sign Double Tax Avoidance Agreement
- Bahrain-UAE Mutual Taxation Agreement

# CORPORATE INCOME TAX

## Transfer Pricing Requirements Updated

The National Bureau for Revenue (NBR) Decision No. 172 of 2024 introduces transfer pricing requirements to align with the OECD guidelines under the Domestic Minimum Top-up Tax (DMTT) framework. The key takeaways are:

- Constituent Entities (CEs) must adjust financial statements to reflect arm's length pricing for intercompany transactions.
- The five OECD-prescribed transfer pricing methods must be applied to determine appropriate pricing.
- Transactions between CEs within the same MNE group in Bahrain must be adjusted to arm's length.
- CEs in Bahrain transacting with group entities must maintain a local file and master file to ensure compliance.

This aligns with global tax transparency efforts and the OECD's Pillar Two rules. If you're dealing with clients affected by this, they'll need to review their transfer pricing policies and documentation practices. Let me know if you need to break it down further or analyze its impact.

## Registrations due under DMTT law in January 2025

As per Article 14 of Bahrain DMTT law and Article 62 of Executive regulations, a CE is required to be submit registration application with the NBR within 30 days following the date at which the Law comes into effect (ie 30 January 2025).

# TAX TREATY

## Bahrain and Oman Sign Double Tax Avoidance Agreement

During His Majesty King Hamad bin Isa Al Khalifa's visit to the Sultanate of Oman, the memorandum of understanding (MoU) on eliminating double taxation was signed.

This agreement seeks to enhance economic ties and strengthen tax cooperation between Bahrain and Oman. It aims to prevent double taxation for individuals residing in either or both countries, fostering deeper economic, investment, and trade partnerships while promoting higher levels of strategic collaboration.

## Bahrain-UAE Mutual Taxation Agreement

The Shura Council has unanimously approved a mutual taxation agreement between Bahrain and the UAE. The Financial and Economic Affairs Committee emphasized that agreements to avoid double taxation play a key role in fostering a stable investment environment by preventing the same income from being taxed twice in different countries and eliminating tax barriers. These agreements also promote transparency and facilitate the exchange of information between tax authorities, helping to combat tax evasion and ensure tax fairness.

A nighttime photograph of a cityscape in Oman, featuring a prominent mosque with a tall minaret and a large dome, illuminated against a dark sky. The city lights and palm trees are visible in the foreground.

# OMAN

## EXCISE TAX AND CUSTOMS

- Digital Tax Stamps postponed
- Oman Implements New 12 Digit Tariff Code System

## CORPORATE INCOME TAX

- Oman To Apply 15% Minimum Top-up Tax On Multinational Enterprises

## TAX TREATY

- Oman has recently signed and ratified several Double Taxation Avoidance Agreements (DTAAs)

# EXCISE TAX AND CUSTOMS

## Digital Tax Stamps postponed for excisable beverages

The Oman Tax Authority (“OTA”) has postponed the implementation of Digital Tax Stamps (DTS) for certain excisable beverages. Initially planned for 31 January 2025, the new timeline requires all imported excisable beverages to bear digital tax stamps starting June 1, 2025.

Accordingly, from June 1, 2025, the importation of carbonated drinks, energy drinks, and other excisable beverages (excluding sweetened drinks) without DTS will be prohibited. This initiative aims to enhance tax compliance, improve supply chain transparency, and prevent tax evasion. Businesses must ensure compliance to avoid penalties.

## Oman Implements New 12 Digit Tariff Code System

Oman Customs will implement a new version of the GCC Unified Tariff, transitioning from an 8-digit to a 12-digit HS code system for all products, which will come into effect on 1 January 2025. This significant update will improve statistical accuracy, streamline customs clearance, and align with international best practices.

Businesses must update their systems, review product classifications, and ensure all trade documentation aligns with the new HS codes. Also, changes in HS codes may impact Excise and VAT classifications where zero rating or exemption has been claimed.



## CORPORATE INCOME TAX

### Oman To Apply 15% Minimum Top-up Tax On Multinational Enterprises

Royal Decree 70/2024 was issued on 31 December 2024, published in the official gazette on 5 January 2025, and became effective 1 January 2025. It introduced the Supplementary Tax Law on certain Multinational Enterprises (MNEs).

Oman is a member of the Organization for Economic Co-operation and Development (OECD)'s Inclusive Framework for the global implementation of tax measures to combat Base Erosion and Profit Shifting (BEPS) and bring tax transparency globally (Commonly referred to as BEPS 2.0).

As part of BEPS 2.0, it is aimed to ensure that MNEs (global revenues exceeding EUR 750 million) pay a minimum effective tax rate (current tax + deferred tax) on income within each jurisdiction in which they operate. The framework imposes a Top-Up Tax on profits arising in jurisdictions where the effective tax rate (ETR) is below 15%.

The detailed rules and regulations of the Law relating to the computation of profits from Low tax jurisdiction, taxing mechanism, and related compliance will soon be issued by the OTA.

# TAX TREATY

## Oman has recently signed and ratified several Double Taxation Avoidance Agreements (DTAAs)

DTAAs aim to provide legal protection against double taxation and promote economic cooperation between Oman and the respective countries. Below is a country-wise summary of these agreements, including their signing and ratification dates:

### Luxembourg:

On October 17, 2024, Oman signed a Double Taxation Avoidance Agreement (DTAA) with Luxembourg. The agreement was ratified by Oman on December 18, 2024, through Royal Decree 64/2024. As of now, the agreement is in force in Oman; however, ratification by Luxembourg is still pending.

### Estonia:

Oman and Estonia signed a Double Taxation Avoidance Agreement (DTAA) on October 27, 2024. Oman ratified the agreement on December 10, 2024, via Royal Decree 62/2024. The agreement is currently in force in Oman, with ratification by Estonia still pending.

### India:

On January 28, 2025, Oman and India signed a protocol to amend their existing Double Taxation Avoidance Agreement (DTAA) to align it with international standards on cross-border taxation, simplifying tax procedures, and promoting greater cooperation in tax matters.



### **Bahrain:**

On January 15, 2025, Oman signed an income tax treaty with Bahrain, along with 24 other memoranda of understanding. The ratification status of this treaty is currently pending.

### **Ireland:**

The Sultanate of Oman and Ireland signed an income tax treaty that entered into force in December 2024.. The treaty covers Irish income tax, universal social charge, corporation tax, and capital gains tax.



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# QATAR

The title 'CORPORATE INCOME TAX' in a bold, white sans-serif font.

## CORPORATE INCOME TAX

- Income Tax Law Amended To Implement DMTT
- General Tax Authority Announces the Tax Return Filing Dates



# CORPORATE INCOME TAX

## Income Tax Law Amended To Implement DMTT

Qatar's General Tax Authority confirmed the approval of amendments by the Shura Council to introduce measures for the pillar 2 Global Minimum Tax. The DMTT will be effective from January 1, 2025.

## General Tax Authority Announces the Tax Return Filing Dates

The General Tax Authority (GTA) has announced that the tax filing period for the fiscal year ended December 31, 2024, will commence on January 1, 2025, and conclude on April 30, 2025.

This requirement is implemented in accordance with the Income Tax Law (Law No. 24 of 2018), its Executive Regulations, and subsequent amendments. Under these provisions, all entities subject to the Law - including tax exempt companies and those fully owned by Qatari or other GCC nationals, as well as those with non-Qatari partners - must file their tax returns within the specified period.

The GTA called on all companies and enterprises holding a commercial registration or license to submit their returns through the Dhareeba tax portal.

# KUWAIT

## CORPORATE INCOME TAX

- Kuwait Issues a Draft Law to Introduce a Domestic Top-Up Tax from 2025

# CORPORATE INCOME TAX

## Kuwait Issues A Draft Law to Introduce a Domestic Top-Up Tax from 2025

The Kuwaiti Cabinet has approved a draft decree-law imposing a 15% tax on multinational entities operating across multiple jurisdictions, aligning with global tax regulations. This law, aimed at curbing tax evasion and ensuring tax revenue retention, will take effect in Kuwait on January 1, 2025. Notably, the DMTT will only apply to MNEs with global consolidated revenues (in at least two of the preceding four fiscal years) of at least EUR 750m, including MNEs headquartered in and outside Kuwait.

The Law will not apply to local businesses with no operations outside Kuwait. The key highlights of the law include but not limited to calculation of DMTT, safe harbors and exclusions, registration, tax filing and payment, transfer pricing.

## MMJS Comments:

With the adoption of 'Domestic Top Up Tax', MNE groups operating in Kuwait should promptly assess whether they fall in scope of the law and undertake an impact assessment to determine the impact on their financials. It is important for businesses to be familiar with the law's requirement including registration, filing, payment deadlines and safe harbors. Its also important for business to engage with tax advisors to ensure compliance and preparedness for the evolving tax landscape and have ready systems in place to handle the information required for computing returns. If businesses are in scope of the DMTT, registration must be completed with the Kuwait tax administration within the prescribed deadline. Penalties may be imposed for failure to register in a timely manner.

Should you need any assistance, please contact one of our professional tax advisors.



# KINGDOM OF SAUDI ARABIA

## VALUE ADDED TAX

- Criteria For Selecting Taxpayers In 20TH Wave Of E-invoicing Determined

## CUSTOMS

- Standardization of Customs HS coding to 12-Digits
- ZATCA Seeks Public Feedback on Draft Rules for Cargo information received through Customs seaports
- Effective date of new clearance procedures in Saudi Arabia: 01 January 2025

## ZAKAT

- Issuance of Guidelines for clarifications on New Zakat Regulations under MR 1007

- Saudi Arabia proposes amendments to Zakat Executive Regulations for real estate projects under construction

## WHT

- ZATCA Issues Guidance on Withholding Tax Application Under domestic legislation and Tax Treaties – 23 January 2025
- ZATCA Clarifies the Application of Double Taxation Relief Under Tax Treaties – 23 January 2025

## TAX TREATY

- Saudi Announced Tax Treaty With Ukraine

## VAT

### Criteria For Selecting Taxpayers In 20<sup>th</sup> Wave Of E-invoicing Determined

- ▶ The Zakat, Tax, and Customs Authority (ZATCA) determined the criteria for selecting the targeted taxpayers in the Twentieth Wave for implementing the "Integration Phase " of E-invoicing, as it clarified that the 20th Wave included all taxpayers whose revenues subject to VAT exceeded SAR 1.5 million during 2022 or 2023. Moreover, ZATCA explained that it will notify all targeted taxpayers in the 20th Wave to integrate their E-invoicing solutions with the Fatoora Platform by no later than 31 October 2025.

ZATCA has stated that Phase Two (Integration Phase) requires additional requirements, compared to the Phase One (the Generation Phase), the most prominent of which is to integrate taxpayers' E-invoicing solutions with ZATCA's platform (Fatoora), issue E-invoices based on a specific format, and include additional fields in the invoice. Furthermore, the Integration Phase would take place gradually in waves, and ZATCA would inform the following waves directly at least six months before their Integration Date.

## CUSTOMS

### Industry Ministry Has Changed The 10-Digit HS

The Ministry of Industry and Mineral Resources has announced a significant upgrade to the customs registration system for industrial licenses, transitioning from the 10-digit Harmonized System (HS) code to a more detailed 12-digit format.

The primary objective of this upgrade is to standardize the customs coding system, improving data connectivity and ensuring greater consistency across relevant governmental and regulatory entities. By moving to a 12-digit system,



the Ministry seeks to enhance the accuracy of data related to both locally manufactured goods and imports. This transition will not only improve data precision but also strengthen supply chain integration, benefiting manufacturers, suppliers, and regulators. The Ministry revealed that over 13,000 items have been reviewed and successfully transitioned from the previous 10-digit HS codes to the new 12-digit format. The move is seen as a significant advancement in harmonizing technical systems at a national level, aligning with global standards and facilitating smoother trade processes. The updated codes will provide a more granular level of classification, allowing for more precise tracking, reporting, and regulatory compliance.

## **ZATCA seeks public feedback on Draft rules of advanced cargo information received through Customs Seaports**

ZATCA has released a draft in the Unified Electronic Platform “Istitlaa” for the pre-submission regulations for the data on goods arriving via seaports. ZATCA is inviting feedback and suggestions from the public, government entities, and the private sector to be sent by February 6, 2025 through the platform. ZATCA explained that this draft aims to clarify all stages of the pre-submission process regarding the data on goods arriving via Customs seaports in preparation to pre-clearance procedures before or after the goods’ arrival at the Customs area. This initiative is designed to expedite the clearance process and simplify customs procedures.

ZATCA encourages interested parties and the public to participate and share their opinions on the draft. ZATCA emphasized that the draft is part of its ongoing efforts to enhance the efficiency of the zakat, tax and customs systems. It contributes to higher compliance and commitment, achieves financial sustainability, and supports the national economy.

It also raises awareness of zakat, tax and customs among all taxpayers and clients, ensuring they receive the best possible experience while facilitating procedures and guaranteeing ease in doing business.

## **Effective Date: 1 January 2025 for new clearance procedures for goods entering Saudi Arabia**

Customs will no longer accept a Letter of Undertaking for customs clearance purposes. Effective January 1, 2025, all shipments must carry a Product Certificate of Conformity (PCoC), and a Shipment Certificate of Conformity (SCoC) issued through the Saber platform.

Additionally, securing these certificates after the arrival of the goods will be considered a Customs violation.

This new procedure was announced by the Saudi Standards, Metrology and Quality Organization (SASO) as part of its commitment to maintaining the highest standards for goods entering Saudi Arabia and reinforces the importance of compliance for all importers.



# ZAKAT

## Zakat Additions Guideline

The Zakat Additions Guideline provides ZATCA's interpretation and explanation regarding the additions to the Zakat base pursuant to Executive Regulations under Ministerial Resolution No. 1007, dated 21 March 2024 ("MR 1007" or "New Zakat Regulations"). It clarifies the calculation methods for zakat, focusing on how different items such as equity, liabilities, and retained earnings—are treated in determining the zakat base.

The Guideline details the criteria for adding liabilities and equity to the zakat base for zakat purposes. It outlines methodologies for adjusting net profit, reserves, and reclassifying items to align with zakat calculations.

## Zakat Deductible Items Guideline

The Zakat Deductible Items Guideline outlines the principles and procedures for deducting specific items from the zakat base, pursuant to Executive Regulations under the New Zakat Regulations.

It provides a comprehensive explanation of the rules governing deductible assets to ensure compliance with the New Zakat regulations in Saudi Arabia. The guideline clarifies the eligibility of various asset categories for deduction, such as fixed assets, intangible assets, investments, and other deductible items. Additionally, it offers practical guidance and case studies on the correct application of zakat deductions.

The Guideline also reinforces the ZATCA's role in overseeing zakat collection and ensuring adherence to regulatory requirements. The guideline serves as a reference to help taxpayers understand deduction eligibility, calculation methods, and applicable restrictions.

## Proposed amendments to Zakat Executive Regulations for real estate projects

On 14 January 2025, ZATCA proposed amendments to Article 73 of the New Zakat Regulations, focusing on off-plan real estate sale projects. The amendments introduce a deduction formula for zakat calculations, requiring licensed projects to follow specific conditions.

Key aspects include project-specific application, audited financial statement classification, and compliance with Article 25. The changes aim to enhance transparency and compliance in zakat treatment for real estate.

### MMJS Comments:

With the introduction of a new approach/methodology for calculating Zakat base under the new regulation, businesses operating in Saudi Arabia must re-evaluate their financial structures, especially regarding equity, liabilities, and profit adjustments, as well as the deductibility of certain items to ensure compliance and optimal tax planning under the New Zakat Regulations.

Should you need any assistance, please contact one of our professional tax advisors.



# WHT

## Withholding Tax (WHT) Application under Domestic Legislation and Tax Treaties

The ZATCA has issued guidance on WHT under domestic legislation and tax treaties. It highlights key rules, tax rates, and compliance requirements for non-residents receiving payments from Saudi sources and provides guidance on the application of Tax Treaties including specific examples for various income types, such as dividends, interest, royalties, etc.

The procedures for claiming treaty benefits are also covered, either by the direct application of reduced rates or exemptions at the time of payment (tax relief at source) or through later refunds by submitting required documents.

### MMJS Comments:

The recent Guideline introduces significant changes in the process of Tax Treaty benefit claim.

Most notably the Guideline does not explicitly reference “Form Q7B” as ZATCA’s approved form for claiming Tax Treaty benefits.

Further, it does not specify that Tax Treaty benefits for dividends, income from debt claims, and royalties must be claimed exclusively through the refund approach unlike in the 2022 Guidelines issued by the ZATCA.



## Eliminating Double Taxation Under Tax Treaties

The ZATCA has issued guidance on double taxation relief under KSA’s tax treaties. This includes an explanation and specific examples of the different methods that may be available under different treaties, including:

### (1) Exemption Method:

- Full Exemption: excludes foreign income from taxation entirely.
- Progressive Exemption: considers foreign income when determining tax rates but does not subject it to tax in the resident country.

### (2) Credit Method:

- Full Credit: Allows taxpayers to deduct the entire amount of foreign tax paid, even if it exceeds the tax due in Saudi Arabia.
- Ordinary Credit: Limits the tax credit to the amount of Saudi tax that would have been due on the foreign income.

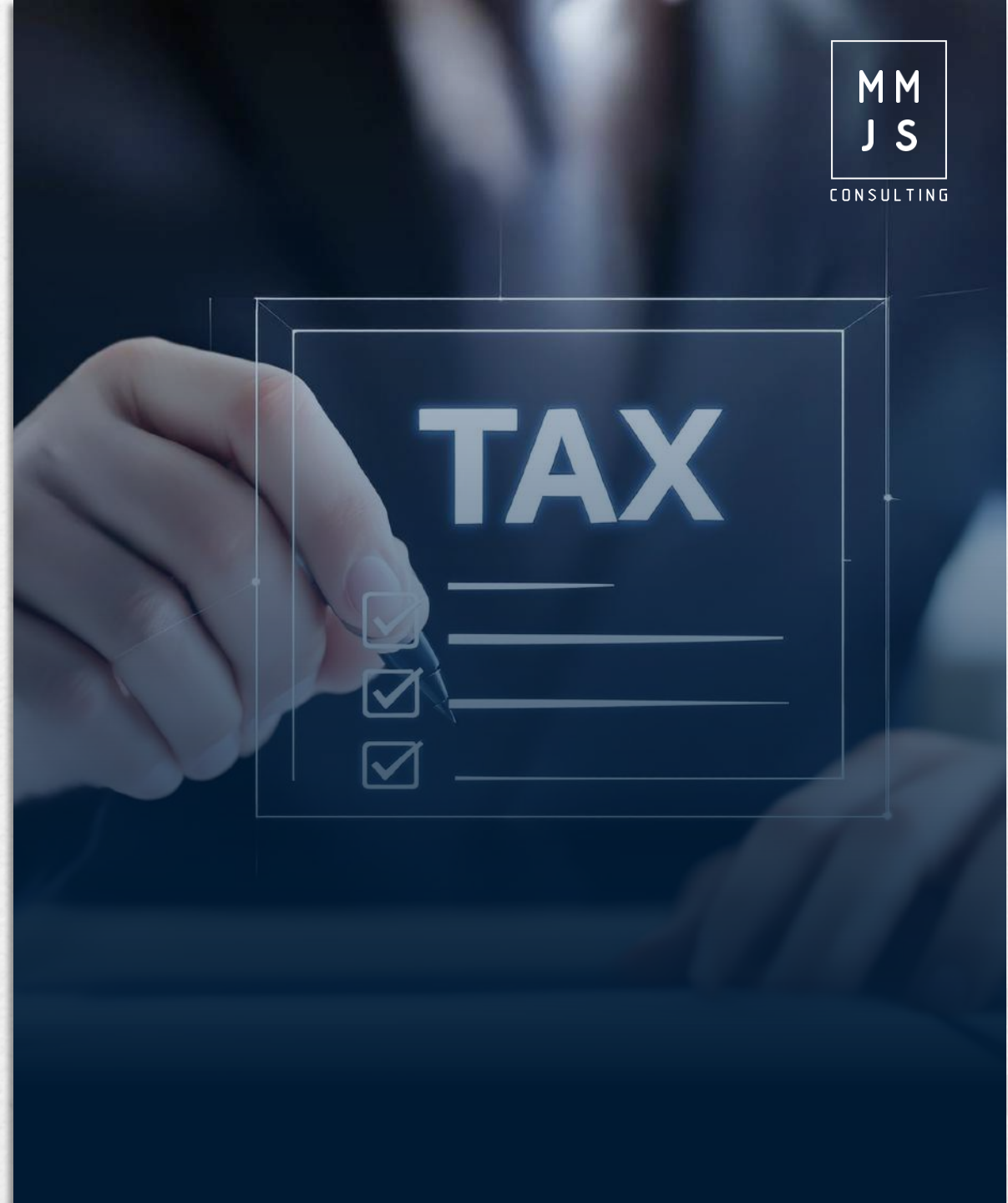
The guidance also explains that any method for the avoidance of double taxation generally does not apply to Zakat taxpayers. Where a taxpayer is a dual status taxpayer subject to Zakat and income tax, then methods for the avoidance of double taxation will only apply to the income subject to income tax.

The steps for obtaining double taxation relief are also outlined in the guidance.

# TAX TREATY

## Saudi Announced Tax Treaty With Ukraine

Ukraine's Ministry of Finance has published the synthesized texts of the tax treaties with Saudi Arabia as impacted by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). The synthesized texts were prepared on the basis of the reservations and notifications submitted to the Depository by the respective countries.



# UNITED ARAB EMIRATES

## VALUE ADDED TAX

- Public Clarification On Cryptocurrency Mining Issued
- Decision On Reverse Charge Of Precious Metals, Stones and Jewellery Issued
- Federal Tax Authority Decision No. 8 of 2024 Issued

## CORPORATE TAX

- Sharjah Consultative Council approved a draft law on extractive and non-extractive natural resources corporate tax
- UAE Ministry of Finance Rationalizes Provisions Relating to Participation Exemption and Foreign Permanent Establishment Exemption
- Ministry of Finance Issues Amendments To Ministerial Decision on Tax Groups

## TAX TREATY

- UAE And Russia Agree On Draft Tax Agreement



# VAT

## Public Clarification On Cryptocurrency Mining Issued

The Federal Tax Authority has released VAT Public Clarification VATP039 to provide guidance on the VAT implications of cryptocurrency mining, specifically focusing on the proof-of-work mechanism.

This clarification outlines the VAT treatment for cryptocurrency mining activities conducted by a person on their own account and on behalf of another person and focuses on key aspects such as input tax recovery, and VAT registration requirements. Cryptocurrency mining is the process of validating and adding new blockchain transactions on a and adding new blockchain transactions on a blockchain network through the use of specialized computing equipment. Miners compete to solve complex cryptographical equations, and the first to solve the equation is rewarded with newly created cryptocurrency added to the network. This mechanism for mining is known as proof of work (PoW). When a person engages in cryptocurrency mining for personal use, they contribute computational power to the network for the purpose of validating blockchain transactions. However, this computational contribution is not directed toward any specific recipient. The miner only receives a reward if they are the first to successfully solve the cryptographic puzzle, though this outcome is not guaranteed. Given that there is no direct connection between the mining activity and the reward, and no identifiable recipient to whom the service is provided, the reward does not qualify as consideration for a taxable supply. Consequently, cryptocurrency mining for personal use falls outside the scope of VAT.

### VAT Implications

- Individuals or entities mining for their own account should not register for VAT solely due to the mining activities.
- Any input tax incurred on related expenses (e.g., equipment, electricity, premise rental) cannot be recovered.

When a person mines cryptocurrency on behalf of another for a fee, this is considered a taxable supply of services. Since there is an identifiable recipient and the miner receives consideration from the client, the mining activity is subject to VAT. If the service is provided to a customer in the UAE, it will be subject to the standard rate of VAT at 5%. However, if the service is provided to a non-resident and meets the requirements set out in the Article 31 of the UAE VAT Executive Regulations, the supply may be zero-rated.

#### VAT Implications

- VAT-registrants must charge VAT at 5% on mining services provided to UAE residents.
- For mining services provided to non-residents, the registrants should evaluate eligibility for zero-rating and ensure compliance with documentation requirements.
- Input tax incurred on operational costs (e.g., equipment, maintenance) is recoverable provided other conditions for recovery are satisfied.
- Unregistered persons who are engaged in provision of mining activities must assess their requirement for VAT registration.

UAE VAT-registered businesses that receive mining services from non-resident suppliers are required to account for VAT using the reverse charge mechanism. However, if the recipient is not VAT-registered, the non-resident supplier must register for VAT in the UAE and charge VAT on the services provided.

### **MMJS Comments:**

Public Clarification VATP039 provides essential clarity on the VAT treatment of cryptocurrency mining activities. It is crucial for businesses and individuals involved in mining to understand whether their activities fall within the scope of VAT and to ensure compliance with the UAE VAT law.

For those mining for personal use, it is important to recognize that these activities are not taxable, and any related input tax is non-recoverable. Conversely, service providers offering mining services to others must adhere to the VAT requirements, including registration, charging VAT where applicable, ensuring proper documentation, and recovering input tax.

Should you need any assistance, please contact one of our professional tax advisors.



### **Decision On Reverse Charge Of Precious Metals, Stones and Jewellery Issued**

The UAE Ministry of Finance has recently announced a significant update for VAT-registered businesses through Cabinet Decision No. (127) of 2024. This decision expands the scope of the Reverse Charge Mechanism (RCM) to cover a broader range of items involving precious metals and stones.

The previous Cabinet Decision No. (25) of 2018 limited the reverse charge mechanism to basic products of gold and diamonds. The new decision broadens the scope significantly.

- **Expanded Coverage:** The inclusion of silver, palladium, platinum, and a wider range of precious stones like pearls, rubies, sapphires, and emeralds. Additionally, the coverage explicitly extends to manufactured diamonds (lab-grown diamonds), which were not covered under the earlier cabinet decision
- **Inclusion of Jewellery:** The mechanism now also applies to jewellery made from these materials, provided their value surpasses that of other components.

The recipient is required to submit the recipient to confirm that the goods will be used for resale or manufacturing and the recipient is registered with the Federal Tax Authority on the date of supply. The supplier shall not be responsible for calculating the tax relevant to items supplied and shall not record it in its tax return, instead the receiver of the items shall calculate the tax on the value of the items supplied and shall be liable for all tax obligations caused by that supply and the calculation of the due tax thereon.

## Federal Tax Authority Decision No. 8 of 2024 Issued

In line with Article 10(5) of the Federal Decree-Law No. 28 of 2022 and its amendments ('Tax procedure Law') effective 1st March 2023 and Article 10(3) of Cabinet Decision No. 74 of 2023 on the Executive Regulation of Federal Decree-Law No. 28 of 2022 on Tax Procedures ('Amended ER on Tax Procedures') effective 1st August 2023, FTA has issued Decision No. 8 of 2024, effective from 1 January 2025, outlining cases wherein Voluntary Disclosures ('VD') would be required to be filed even in cases where there is no difference in the due tax. The instances are as follows:

- **Incorrect emirate-wise reporting:** Incorrect reporting of standard-rated supplies (Box 1) under the box of another Emirate.

- **Incorrect reporting of zero-rated supplies:** Overstating or understating zero-rated taxable supplies in the VAT return.
- **Incorrect reporting of exempt supplies:** Overstating or understating exempt supplies in the VAT return.

As per Clause 10(5) of the Tax Procedure Law and 10(3) in the amended ER on Tax Procedures, a VD is required to be filed even in cases where there is an error or omission in the Tax Return which results in no difference in the due tax amount. Procedure Public Clarification TAXP006 ('public clarification'), which outlines instances where a VD is required, even if there is no impact on the due tax for the relevant tax period. These instances include

- Failing to report imported services, where the business is entitled to full input tax recovery on the supply and
- Incorrectly reporting supplies in Box 1 of the VAT return for an Emirate other than the one where the supplies should have been recorded.

While the Tax Procedure Law and the amended ER on Tax Procedures was effective from 1<sup>st</sup> March 2023 and 1 August 2023 respectively, the EmaraTax portal had practical limitations that prevented taxpayers from filing a VD if the difference in net payable tax was AED 10,000 or less. Furthermore, the FTA's latest decision does not include the incorrect reporting of imported services where the business is entitled to full input tax recovery as a scenario requiring a VD, which contradicts the guidance provided in the public clarification.

## MMJS Comments:

It has been observed that many taxpayers adjusted the zero-rated and exempt supplies that were either not reported or incorrectly reported in the subsequent tax returns since. However, going forward, such errors must be corrected in the same tax return by filing a VD. Ambiguity remains regarding whether the incorrect reporting of imported services under the reverse charge mechanism will also require rectification through the filing of a VD.

For errors resulting in a net payable tax difference of AED 10,000 or less, the taxable person can correct the errors in their subsequent tax period. However, if the net payable tax difference exceeds AED 10,000, the taxable person is required to rectify the error by submitting a VD.

Should you need any assistance, please contact one of our professional tax advisors.



# CORPORATE INCOME TAX

## SCC approved a draft law on extractive and non-extractive natural resources corporate tax

Sharjah Consultative Council (SCC) approved a draft law on extractive and non-extractive natural resources corporate tax in the Emirate of Sharjah. The draft law is the first of its kind in the UAE, aiming to regulate the imposition of tax on companies operating in the extraction and use of natural resources, including both mineral extraction and other related activities.

The draft law seeks to establish a comprehensive legislative framework that regulates economic activities related to natural resources. This framework aims to increase public revenues to support development projects within the emirate. Key provisions pertain to companies engaged in extraction activities as well as those operating in natural and non-extractive resources, all of which are subject to the specified tax and other regulations. The report discussed the objectives of the draft law, ensuring that companies operating in oil and gas comply with the tax base for each fiscal year according to the terms of their agreements with the Department of Petroleum in the Emirate of Sharjah.

## UAE Ministry of Finance Rationalizes Provisions Relating to Participation Exemption and Foreign Permanent Establishment Exemption

The UAE Ministry of Finance (MoF) has recently issued Ministerial Decision No. 302 of 2024 (MD 302) which repeals and replaces earlier Ministerial Decision No 116 of 2023 (MD 116) relating to corporate tax (CT) provisions for Participation Exemption and Foreign Permanent Establishment Exemption under Federal Decree Law No. 47 of 2022 (UAE CT Law). The amended Ministerial Decision is applicable for tax period commencing on or after 1 January 2025. Key amendments include Article 1- Definitions, Article 8 – Minimum acquisition cost, Article 9 – Application of the asset test, Article 13 – Liquidation proceeds and losses and Article 14 – Foreign Permanent Establishment (PE) Exemption.



## Ministry of Finance Issues Amendments To Ministerial Decision on Tax Groups

In a recent development, the UAE Ministry of Finance (MoF) has issued Ministerial Decision No. 301 of 2024 (MD 301) which repeals and replaces earlier Ministerial Decision No 125 of 2023 (MD 125) on Tax Groups for the purpose of Federal Decree Law No. 47 of 2022 (UAE CT Law).

The amended Ministerial Decision is applicable for tax period commencing on or after 1 January 2025. Key amendments include Article 1- Definitions, Article 3 – Resident person, Article 8 – Requirement to compute taxable income of a member(s) in compliance with Arm's length principle (ALP) as per Transfer Pricing (TP) guidelines and Article 13 – Preparing financial statements upon a subsidiary leaving or cessation of a Tax Group.

### MMJS Comments:

The updated Regulations offer clarity on various aspects. Entities involved should closely evaluate the implications of the revised Regulations when planning their activities.

Should you need any assistance, please contact one of our professional tax advisors.



## TAX TREATY

### UAE And Russia Agree On Draft Tax Agreement

Russia and the United Arab Emirates have concluded the final round of negotiations on and initialed the draft of a new agreement to avoid double taxation of income and capital and prevent tax evasion.

The countries agreed to sign the agreement as soon as possible and assured one another that every effort will be made for it to go into effect as of January 1, 2026.

Russia and the UAE have an agreement on taxation of income from investment that was signed in 2011. The need for such an agreement was attributed to the fact that state-owned investment funds and banks in the UAE were interested in investing in the Russian economy, but the essential absence of taxation of corporate profit and personal income in the UAE made it impossible to sign a standard double taxation agreement.

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