



GCC TAX ROUND-UP 2020

INTRODUCTION

Welcome to the BDO GCC Tax round-up for 2020, which brings together all of the key tax changes across the region.

2020 has been an unusual and important year for tax in the GCC. Partly, of course, this has been because of need to respond to the economic and social pressures caused by the Covid19 pandemic. This resulted in all of the GCC countries introducing temporary measures to aid and support businesses through the difficult times. We have not included all of the temporary reliefs in this round-up as most are no longer in force. However, if you need information on the reliefs that were available earlier in 2020, your local BDO office will be able to help.

The other factor driving change in 2020 was the increasing influence of the OECD Base Erosion and Profit Shifting ('BEPS') framework, which is aimed at combatting abusive tax practices. This has seen Economic Substance Regulations, Country by Country Reporting, Transfer Pricing, and a range of other measures, growing in importance across the region. This trend is likely to continue, and whilst

it creates additional compliance obligations for taxpayers, it is a positive trend which demonstrates a commitment, by the countries introducing these changes to collaborate with and support, the global tax community. You will find a table summarizing the GCC measures supporting the OECD initiatives in this update.

We hope you enjoy the round-up. If you have feedback and suggestions for future publications, we would be pleased to hear from you.



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UNITED ARAB EMIRATES

VALUE ADDED TAX (VAT)

3 YEARS OF VAT

After nearly 3 years of VAT, the tax continues to develop and there have been significant changes in the year 2020. These include change in the Executive Regulations, Federal Supreme Court judgements, Public Clarifications and VAT guides.

PUBLIC CLARIFICATIONS

VAT free special offers:

Retailers sometimes make VAT-free special offers as part of promotional campaigns or advertising. The Federal Tax Authority has clarified that businesses should not advertise taxable goods or services as 'VAT Free' or sell such goods or services without charging VAT. Even though seller may absorb the VAT as discount, the consideration received should be inclusive of VAT.

VAT registration of Sole Establishments:

A natural person is required to obtain only one VAT registration for multiple sole establishments owned by them. The total value of supplies made by the person under all the sole establishments should be considered to assess the VAT registration liability. **Dubai Owners' Associations and Management Entities:**

Owners' Associations are established to manage properties in multiple ownership, such as apartment buildings. The Owners' Association engages with third party suppliers and recharges each owner an appropriate share of the cost. This recharge is a supply for VAT purposes and gives rise to an obligation to register for VAT.

Under legislation passed in the Emirate of Dubai, all rights and obligations of Dubai Owners' Associations had to be transferred to Management Entities. Accordingly, the Management Entities became the party liable to deal with any VAT due on the supplies made to property owners and the Owners' Associations ceased to be liable, or entitled, to be VAT registered.

Owners' Associations and Managing Entities that manage properties in the Emirate of Dubai are required to review their VAT position in the light of the above clarification.

VAT GUIDANCE ON E-COMMERCE

The FTA issued detailed guidance on E-commerce transactions in August 2020. The guidance addresses two parts of e-commerce; the supply of goods on an electronic platform and the supply of electronic services. The taxability of goods supplied via e-commerce platform will be assessed like any other supply made through traditional commerce.



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UNITED ARAB EMIRATES - VAT

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The Regulations provide a list of services considered to be electronic services and confirm the requirement for the service to be automatically delivered over the internet, an electronic network, or an electronic marketplace. The guide provides some clarity on the degree of human intervention that may be disregarded when considering whether a supply qualifies as an electronic service.

JUDGMENT OF FEDERAL SUPREME COURT FOR VOLUNTARY DISCLOSURE PENALTIES

The Federal Supreme Court of UAE has adjudicated that late payment penalties are applicable where a voluntary disclosure is filed by a taxpayer, since voluntary disclosures are an extension of the original tax return. The recent decision of UAE Supreme Court over-rules contradictory judgments from the lower Courts. This judgment has a significant impact on taxpayers since any error may lead to a late payment penalty calculated at a maximum of 300% of the tax concerned.

UAE NARROWS THE SCOPE OF ZERO-RATING EXPORT OF SERVICES

The UAE Cabinet has issued a decision which narrows the scope of zero-rating for services supplied to non-UAE customers by amending Article 31 (2) of the Executive Regulations. One of the conditions for zero-rating the export of services requires services to be supplied to a non-resident who is outside UAE when services are performed. Previously, the recipient of services was considered outside UAE if they had a short-term presence in UAE of less than a month or if their presence was not effectively connected with the supply. The change resulted in the replacement of the word “or” to “and”. This results in the requirement for both conditions to be met for a recipient to be considered outside UAE.

The FTA issued a Clarification which indicates that in certain circumstances, zero rating may be possible if the service recipient is present in the UAE for longer than a month, provided the presence is not considered as the establishment which is

most closely related to the supply. This suggests that the FTA considers the position with regards to businesses with a longer-term presence in the UAE (as well as outside the UAE) is largely as before. The amendment will mainly impact UAE businesses with customers visiting the UAE for short periods in connection with the supply. But there are also potential implications for businesses that have clients with personnel based permanently, or long-term, in the UAE.

Ashish Athavale UAE ashish.athavale@bdo.ae	Verona Hoh UAE Verona.hoh@bdo.ae
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UNITED ARAB EMIRATES

ECONOMIC SUBSTANCE REGULATIONS (ESR)

ESR REPORTING

ESR were originally issued in the UAE by the Ministry of Finance on 30 April 2019. Under the Regulations, a UAE entity which is engaged in “Relevant Activities” is required to meet certain economic substance requirements. If the requirements are not met, the entity may be liable to fines, penalties and the potential suspension, revocation or nonrenewal of its license.

Licensees with financial years ending 31 December 2019 were required to file ESR notifications by 30 June 2020. However, the ESR laws were revised by a new Cabinet Decision and guidance in August 2020. The new legislation applies retrospectively to financial years commencing from 1 January 2019. Along with the new legislation, The Ministry of Finance also announced new ESR Filing Requirements and Deadlines along with the relevant templates for ESR notification and ESR report. With the introduction of the revised legislation, licensees are required to reassess the applicability of ESR to its business and resubmit their ESR notification, if necessary.

With the introduction of the revised legislation, licensees are required to reassess the applicability of ESR to its business and resubmit their ESR notification, if necessary.

The new deadlines are given in the table below:

Year-end	Notification deadline	Reporting deadline
Business having a financial year ending prior to December 2019	31 January 2021	31 January 2021
Business having a financial year ending 31 December 2019	31 January 2021	31 January 2021
Business having a financial year ending between January 2020 and June 2020	31 January 2021	12 months from the end of the financial year
Business having financial year ending after 30 June 2020	6 months from the end of the financial year	12 months from the end of the financial year

With the extended timelines, licensees who previously did not file the ESR notification within the deadline announced by the Regulatory Authority earlier this year, will now have the opportunity to meet their ESR obligations.

Ashish Athavale UAE ashish.athavale@bdo.ae	Verona Hoh UAE Verona.hoh@bdo.ae
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UNITED ARAB EMIRATES

EXCISE TAX

There were no significant changes to Excise Tax in 2020. However, there were some public clarifications issued by the FTA.

PUBLIC CLARIFICATIONS

Deregistration of stockpilers:

Persons who are registered with the FTA as stockpilers can apply for deregistration before six months from the effective date of registration provided they have met all the obligations and no longer conduct or intend to conduct excisable activities. FTA has also specified the supporting information which a business should be prepared to provide once the application is submitted.

Renewal of Designated Zone registrations:

As per the Excise Tax procedures, a warehouse keeper must apply to the FTA to register each Designated Zone for which the warehouse keeper is responsible. Every 12 months, the warehouse keeper must renew the registration of the Designated Zones to continue the special status.

The FTA has issued this procedural clarification for each warehouse keeper to review the expiry dates of registration, submit renewal applications, and pay renewal fees for each Designated Zone. Further, they should review the type and value of excise goods held within the Designated Zone in order to review the appropriateness of the current financial guarantee, and update the guarantee, if required.

Ashish Athavale	Verona Hoh
UAE	UAE
ashish.athavale@bdo.ae	Verona.hoh@bdo.ae



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UNITED ARAB EMIRATES

COUNTRY BY COUNTRY REPORTING (CbCR)

UAE's CbCR journey so far

The UAE Ministry of Finance (MoF) introduced CbCR with effect from 1 January 2019. It obliges UAE tax resident entities which are a part of Multinational Enterprises (MNE) group with revenues equal to or more than AED 3.15 billion to submit an annual notification.

MoF amended the CbCR Regulations in 2020 so that only Ultimate Parent Entities (UPE) of the MNE Group headquartered in the UAE are required to submit the notification. This has reduced the compliance requirements for a UAE entity of a non-UAE headquartered group.

The amended Regulations does not allow Surrogate Parent Entity (SPE) filing where non-UAE headquartered MNE Group had the option to assign a group entity in the UAE to file report on behalf of the Group in specified cases.

UAE headquartered MNE Group which previously had a filing obligation in another jurisdiction will need to assess whether the filing obligation should be met in the UAE. MNEs headquartered overseas will need to revisit their CbCR approach to include UAE reporting requirements.



Ashish Athavale	Verona Hoh
UAE	UAE
ashish.athavale@bdo.ae	Verona.hoh@bdo.ae

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KINGDOM OF SAUDI ARABIA

CORPORATE INCOME TAX

A Royal Decree No. 153/M dated 5/11/1441AH corresponding to June 26, 2020 has been issued approving the Ministers Council Resolution No. 687 dated 2/11/1441AH corresponding to June 23, 2020. This approves an amendment to tax Article (2) paragraph (A) of the Saudi Arabian income tax law. The amended paragraph of Article (2) of the Saudi income tax law defines the persons subject to tax in KSA rather than Zakat, to be as follows:

“(A) resident capital company with respect to shares, owned either directly or indirectly by non-Saudis, and also the shares owned either GCC TAX ROUND-UP 2020 SAUDI ARABIA - CORPORATE INCOME TAX LAW directly or indirectly by persons working in the field of oil and hydrocarbons production, except for the shares owned either directly or indirectly by persons working in the field of oil and hydrocarbons production in resident capital company listed on the Saudi stock market, and the shares owned either directly or indirectly by these companies in capital companies.”

Our Analysis

According to the amended paragraph, the key outcomes might be summarized as follows: Saudi listed capital companies are subject to Zakat with respect to the shares in their capital, owned either directly or indirectly by persons working in the field of oil and hydrocarbons production. This amended paragraph does not visibly direct that the shares owned directly or indirectly by persons working in the field of oil and hydrocarbons production in a resident non-listed capital company is subject to tax, unless there is an indirect ownership of the oil and hydrocarbons company through a Saudi resident listed capital company.

WITHHOLDING TAX

There were no significant changes to the Saudi withholding tax legislation during the year.

ZAKAT

There were no significant changes to the Saudi Zakat legislation during 2020.

Imran Sial
Kingdom of Saudi Arabia - Riyadh
m.sial@bdoalamri.com

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KINGDOM OF SAUDI ARABIA

TRANSFER PRICING (TP)

REVISED TRANSFER PRICING GUIDANCE ISSUED

On 1 June 2020 the GAZT published the Second Edition of the Transfer Pricing Guidelines. These have provided further direction on a number of areas.

The main developments are as follows:

- The Guidelines confirm that all controlled transactions must be disclosed, notwithstanding their value.
- The Disclosure Form of Controlled Transactions (DFCT) must be submitted within 120 days after the last day of the financial year, irrespective of any exceptions to the deadline for filing the tax return (e.g. such as is applicable for Partnerships, which are obliged to submit their tax return 60 days after the last day of the fiscal year).
- In the DFCT business restructuring section, taxpayers should answer “YES” only in those cases where business restructurings have a direct or indirect impact on the KSA taxpayer.
- Under the new Guidelines, GAZT will now accept two forms of the Chartered Accountant

Certificate (“Affidavit”) - “limited” and “reasonable”, as long as the certificate is provided by a licensed auditor in KSA.

- This edition of the KSA TP Guidelines defines the concepts of ‘Beneficial ownership and ‘De facto owner of intangibles’.
- The Guidelines provide support to taxpayers in determining whether effective control exists when there is a presumption of effective control.
- For the purposes of performing a benchmarking study, information on uncontrolled transactions within a similar industry and in a geographical market comparable to KSA should be obtained as part of the search process.
- This edition of the Guidelines includes a detailed step-by-step registration (enrolment) process for the Country by Country (CbC) notification and CbC reporting.
- The Guidelines state that constituent entities of a MNE group residing in Saudi Arabia will not be required to file a CbC report in the Kingdom when the Statutory Consolidated Revenue

Threshold (SCRT) is not met in the Jurisdiction where the MNE Group’s Ultimate Parent Entity is a tax resident.

Final comments: The transfer pricing provisions in Saudi Arabia are in their second year of operation. This clarification provides taxpayers with further practical and theoretical interpretations to assist them in building strong and well-supported TP documentation and processes.

Ismael Navarro
Kingdom of Saudi Arabia
i.navarro@bdoalamri.com

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KINGDOM OF SAUDI ARABIA

THE THIRD YEAR OF VAT IN THE KINGDOM OF SAUDI ARABIA

Significant changes to the KSA Implementing Regulations

The General Authority for Zakat and Tax (GAZT) has made a large number of changes to the VAT Implementing Regulations.

May 2020

On 11 May 2020 the Ministry of Finance announced an increase in the VAT rate with effect from 1 July 2020. The new rate was 15%, with a transitional period from 11 May 2020 until 30 June 2021. This change meant that KSA moved away from the strict framework of the Common VAT Agreement of the States of the Gulf Cooperation Council (GCC), because Article (25) at the agreement sets the VAT rate at 5%.

In May 2020, GAZT release the simplified Transitional Provisions Guidelines for the VAT Rate Increase. This gave some information on how the transitional rules would work and gave many explanatory examples. Subsequently GAZT released another, more comprehensive guideline, which clarifies some points, although there are some remaining points of uncertainty in how to implement the transitional phase.

June 2020

On 9 June 2020 GAZT announced amendments to the KSA VAT Implementing Regulations. These included the new VAT rate, and 13 new paragraphs, which were designed to strengthen and clarify parts of the legislation. In addition to the rate increase, the amendments concerned Fixed Asset supply, real estate supply, VAT registration, and VAT returns. The most striking change was the amendment of paragraph 7 of Article 9 of the Regulations. The changed Article now states that: “A person who makes or expects to make a real estate supply is considered practicing an economic activity for the purposes of registration in accordance with the law and these regulations”. This means that any real estate supply will potentially be subjected to VAT, except for a few exceptions stated in the Article.

September 2020

GAZT issued the E-invoicing Implementing Regulations draft, as part of a consultation exercise, allowing businesses to discuss and comment on the proposals. The draft provided the terms, requirements, and conditions of the e-invoices, with reference to Article (53) of the VAT implementing regulations.



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KINGDOM OF SAUDI ARABIA

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October 2020

On 1 October 2020 A Royal Decree was issued exempting real estate supplies made after the enforcement of the provisions contained in the order from VAT. Instead, the order imposes a new tax named Real Estate Transaction Tax (RETT) with 5% on real estate supplies, starting from 4 October/2020.

Also on 1 October 2020 GAZT issued the amendments to the KSA VAT Implementing Regulations regarding all of the above. On 2 October 2020 GAZT issued the RETT implementing regulations.

December 2020

On 4 December 2020 GAZT issued E-invoicing Implementing Regulations and guidelines. The regulations delegated the Governor to issue decisions related to requirements, controls, details, and procedures for linking electronic billing systems c, within a period not exceeding 180 days from the date of publishing the regulations, and gave him the

power to determine the time limits that precede the obligation to apply the link. The regulations give persons subject to this regulation a period of twelve calendar months to implement the provisions mentioned in Paragraph (b) of Article Three of the regulations for issuing electronic invoices and electronic notices.

Mohammed Madbouly
Kingdom of Saudi Arabia
m.madbouly@bdoalamri.com

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KUWAIT

TAX INCENTIVES TO CERTAIN FOREIGN INVESTORS BY KUWAIT DIRECT INVESTMENT PROMOTION AUTHORITY

Kuwait Direct Investment Promotion Authority (“KDIPA”) issued several decisions during the year 2020 to support foreign investors as a result of COVID-19 pandemic. These decisions include temporary concessions to support foreign investors licensed under KDIPA in Kuwait, a 50% reduction in KDIPA’s services and licensing fees for 2020 and an opportunity to obtain income tax and customs duty exemptions for one year for existing entities licensed under KDIPA that do not currently enjoy such tax benefits. For prospective investors, the threshold for obtaining income tax and customs duty incentives has been reduced provided an application for a license under KDIPA is submitted by the investor by end of 2020.

By way of background, KDIPA follows a specific Points Scoring Mechanism (“PSM”) when assessing applications submitted by investors seeking licenses and tax incentives in Kuwait. KDIPA’s recent decisions significantly reduce the percentage that is required to be met by prospective investors in order to obtain temporary income tax and customs duty exemptions. For details on KDIPA PSM, please see our earlier [newsletter](#).

Amendments have also been made to the mechanism of computing tax credits and the methodology followed by KDIPA when granting income tax incentives.

KUWAIT COURTS RULINGS ON TAX MATTERS

Tax risks on local agents

Many foreign companies carry out their business operations in Kuwait by appointing a Kuwaiti agent. Under the current tax rules, entities that carry out trade or business in Kuwait, directly or through an agent, are taxable in Kuwait. The tax law has been applied in practice on foreign entities. There have been situations where several foreign parties defaulted on their tax liabilities in Kuwait and left the country. Where the Kuwait Tax Authority (“KTA”) has not been able to collect its taxes from the foreign party, the KTA started a regular trend of claiming such taxes from the local agent. Recent rulings from the Court of Cassation (Supreme Court) have supported the views of the KTA by stating that the agent is the business representative in the country for the foreign party and should therefore represent the foreign party in tax disputes. The Court reasoned that it is more efficient in such cases for the local agent to pay such taxes, and it is up to the agent to seek reimbursements from the foreign principal.

Taxability of foreign shareholders under Tax Treaties

In practice, the KTA charges foreign shareholders in Kuwaiti unlisted companies to tax for their share of profits to the extent of the foreign company’s shareholding in the Kuwaiti company. Where a tax treaty exists between Kuwait and the country of the foreign shareholder, the KTA is of the view that the shareholding in Kuwaiti companies by foreign companies triggers a permanent establishment (“PE”) in Kuwait, and income tax is levied on the proportionate share of profit attributable to the foreign shareholder (Kuwait does not have WHT). However, the Kuwait courts have lately ruled in favour of the taxpayers stating that the shareholding in a Kuwaiti company does not trigger a PE in Kuwait under Article 5 of the tax treaty, which is the correct interpretation under the standard OECD based tax treaties. Given the above welcomed development, it would be interesting to see if the KTA will change its practice of taxing nonresident foreign shareholders or whether the local Courts will go back to supporting the KTA in light of the significant State budget deficit contributed to by COVID-19 and low oil prices.

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KUWAIT

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INTRODUCTION OF ELECTRONIC COMMUNICATION

As a result of the Covid-19 pandemic, the Kuwait Ministry of Finance now requires all income tax, Zakat and NLST related filings to be done electronically to a designated e-mail address of the Ministry of Finance. Previously, all submissions were done physically by the approved audit firms on behalf of the clients.

Further, we understand that the Kuwait Ministry of Finance is in the process of appointing consultants to assist with the implementation of a tax management system to digitalise the majority of the Ministry's services.

UPCOMING DEVELOPMENTS

Kuwait is a signatory to the GCC Common Excise Tax Agreement as well as the GCC VAT Framework Agreement and has committed to the introduction of these taxes in the country.

With respect to excise tax, Kuwait has in place a draft law and it is expected to introduce excise

tax during the year 2021. As for VAT, given the financial impact of COVID-19 on small businesses in particular, and in light of recent changes in government, VAT is not expected to be introduced before 2022.

Rami Alhadhrami
Kuwait
rami.alhadhrami@bdo.com.kw



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BAHRAIN

VALUE ADDED TAX (VAT)

New VAT guidance from the Bahrain National Bureau for Revenue (NBR)

VAT Economic Activity Guide:

The Economic Activity Guide specifies that, to register for VAT in Bahrain, a person must undertake an economic activity. Bahrain VAT law defines the term, 'economic activity' and this Guide provides examples of economic activities for VAT purposes and the relevant indicators. For example, the Guide specifies indicators such as regularity of activities and quantum or financing of activities.

VAT Transfer of a Going Concern Guide:

The Transfer of a Going Concern Guide highlights the VAT implications of a person transferring its economic activity to another person. The Guide sets out conditions that must be met for the transfer of a business to be outside the scope of VAT. It is an important update as the conditions and considerations to be followed by businesses to be a 'Qualifying TOGC' have been clearly spelt out, along with the input tax recovery details and the business records to be maintained.

Apart from the above, the NBR had also issued guidance on:

- Rules and procedures for a change of VAT return filing frequency between monthly, quarterly and annually;
- The process and procedure for simplified VAT returns on the NBR portal;
- Rules and procedures for registration applications, filing and obtaining refunds by Foreign Governments, Diplomatic Missions, International Organisations, Consular and Military Bodies;
- Guidance on VAT aspects in the retail and wholesale sector. This includes place of supply rules, time of supply, determination of amount chargeable to VAT, how to deal with adjustments, VAT invoicing and business promotion schemes.

Clarifications issued by the NBR

Clarifications were issued in connection with: The VAT treatment of warranty repair services from manufacturer to dealer and dealer to customer, third party warranty services and extended warranty periods.

The VAT due date relating to loans subject to a six monthly payment holiday under circulars issued by CBB.

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- The VAT treatment of warranty repair services from manufacturer to dealer and dealer to customer, third party warranty services and extended warranty periods.
- The VAT due date relating to loans subject to a six monthly payment holiday under circulars issued by CBB.

TAX TREATY MEASURES

- Guidance on Mutual Agreement Procedure (MAP) published by the NBR which is a procedure for Competent Authorities to discuss matters, share information to resolve international tax disputes and avoid double taxation in accordance with applicable Double Taxation Convention.

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MLI signed by Bahrain

- The Kingdom of Bahrain, on 27th November 2020, signed the Multilateral Instrument ('MLI') to implement Tax Treaty Related Measures to prevent Base Erosion and Profit Shifting ('BEPS'), thereby becoming the 95th nation to sign the MLI.
- Signing of the MLI is seen a solution for governments to remove inconsistencies in international tax treaties by assimilating results from the BEPS project into bilateral treaties.

Ashish Athavale
Bahrain
ashish.athavale@bdo.bh



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SULTANATE OF OMAN

CORPORATE TAX

Amendments to existing provisions of Oman Income Tax Law:

- Annual tax compliance, which involved filing a Provisional Return of Income (PRI) within three months of the end of the financial year, and Final Return of Income (FRI) within six months of the end of the financial year, has been merged into Return of Income (RI), which will now be due within four months of the end of the financial year, along with payment of the applicable tax. This applies for the tax year commencing on 1 January 2020. PRI/FRI related articles of Oman Income Tax Law have been updated to reflect the RI related changes. Taxpayers will now have to complete audit of Financial Statements well within time to meet the revised RI due date.
- In line with the new Commercial Companies Law, Oman Income Tax Law has also been updated to include Sole Proprietor / One Person Companies.

Additions to the provisions of Oman Income Tax Law:

- The Concept of Tax Residency is introduced, which will provide further guidance on the application of the Double Taxation Avoidance Agreements (DTAA) and similar.
- To enforce international tax agreements, the Oman Tax Authority has been authorised to collect requisite information from licensed banks in relation to any person.

Tax residency

- A natural person residing in Oman during the tax year, is tax resident if he has been there for a period of not less than 183 successive or non-successive days during the tax year;
- A juristic person residing in Oman during the tax year is tax resident if it meets either of the following two conditions:
 - a. It is incorporated in Oman in accordance with the applicable laws and the royal decrees.
 - b. Its Head office is based in Oman.

Changes to Tax Administration

- Secretariat General of Taxation (SGT) has been re-named as the Tax Authority (TA).
- TA now has autonomous status.
- The Chairman of TA reports directly to the Council of Ministers.



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SULTANATE OF OMAN

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E-services & Implementation

- From 15 March 2020, online return filing is mandatory.
- Most services are moved to an online portal, including servicing of assessment orders and generation of various certificates etc. It is recommended to check the online portal regularly and that the option to receive reminder emails is also activated

Tax Card

The amended Tax Law introduced the concept of a “tax card”, requiring every taxpayer in Oman to mention a tax card number on all correspondence, invoices, memoranda, contracts or other similar documents entered into by the taxpayer. From 1 July 2020, Tax Card is mandatory.

EXCISE TAX

Expansion of rate and base

- On 15 June 2019, Excise Tax was made applicable on carbonated drinks (50%), energy drinks (100%), tobacco (100%), alcohol (50%) and pork (100%)
- On 1 July 2020, the Excise Tax rate on alcohol was increased from 50% to 100%
- On 20 August 2020, regulations dealing with Excise Tax were issued mainly to do with

warehouse registration, movement under suspension and exports.

- On 1 October 2020, Excise Tax on sweetened drinks was introduced. The definition of sweetened drinks is very broad. Hence, it is important to evaluate the requirement to file transition return or even to register for Excise Tax on a regular basis as an importer of Excisable goods.

INTERNATIONAL REPORTING CONVENTIONS

Facilitation of Automatic Exchange of Information (AEOI) & Implemented and updated Common Reporting Standards (CRS) regulations

- In line with Organisation for Economic Co-operation and Development’s (‘OECD’) Base Erosion and Profit Shifting (BEPS) inclusive framework, Oman Tax Authority (‘TA’) has issued a decision no. 78/2020 in the official Gazette on introducing Common Reporting Standards (CRS) regulations & Facilitation of Automatic Exchange of Information (AEOI) requirements.
- CRS is typically applicable to certain specified financial institutions.

Implementation of Country-by-Country Requirements (CbCR)

- In line with the theOECD’s BEPS framework, Oman Tax Authority (‘TA’) has issued a

decision no. 79/2020 in the official Gazette on introducing Country by Country Reporting (‘CbCR’) requirements.

- Notification is due by 31 December 2020 and Reports are due by 31 December 2021 for the year ended 31 December 2020;
- The CbCR is applicable to an Ultimate Parent Entity (UPE) or Surrogate Parent Entity (SPE) which is part of a Multinational Enterprise (MNE) with consolidated revenue not less than OMR 300 million, and tax residence in Oman.

VALUE ADDED TAX (VAT)

His Majesty, Sultan Haitham Bin Tariq, approved Royal Decree No.121/2020 on 12 October 2020 to introduce the much awaited Value Added Tax (‘VAT’) in Oman. This was published in the official gazette on 18 October 2020.

Relevant developments in brief:

Pursuant to GCC Unified VAT Agreement and after the introduction of VAT in the Kingdom of Saudi Arabia, United Arab Emirates (both in 2018) and Kingdom of Bahrain (in 2019), the Sultanate of Oman will be the fourth GCC State to implement VAT.

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SULTANATE OF OMAN

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Oman Tax Authority published a guide that provides clarity on when a Business should obtain VAT registration during the transitional period. The table below sets out the mandatory registration thresholds, registration deadlines and effective date of registration:

Registration Deadlines and Thresholds

Supplies	Registration Deadline	Effective Date of VAT registration
Above 1,000,000 OMR	1 February 2021 to 15 March 2021	16 April 2021
500,000 OMR to 1,000,000 OMR	1 April 2021 to 31 May 2021	1 July 2021
250,000 OMR to 499,999 OMR	1 July 2021 to 31 August 2021	1 October 2021
38,500 OMR to 249,999 OMR	1 December 2021 to 28 February 2022	1 April 2022

Calculation of Registration Threshold

For VAT registration purposes, the total value of Annual Supplies is calculated across a period of past 12 months or next 12 months. For the calculation of Annual Supplies, the following is to be taken into consideration:

- Standard rates & zero-rated sales (except disposal of capital assets);
- Intra-GCC supplies; and

- Supplies (goods and services) subject to reverse charge mechanism

Based on our experience of implementing VAT in other GCC member states, determining Annual Supplies for VAT registration could be an important aspect as delayed registration attracts heavy penalties.

Registration with the Oman Tax Authority Guide outlines the process for registration with Oman Tax Authority, which is actioned through Oman Tax Authority e-services portal. The process of obtaining VAT registration number / certificate includes filing an online application along with requisite documentation. Once the online application is reviewed and accepted by Oman Tax Authority, a VAT registration certificate will be issued that contains the registration number and other information such as the effective date of registration and relevant tax period.

BDO Comments

Given that the Authority has clarified threshold and timelines for obtaining VAT registration, it is important that Businesses having Annual Supplies above OMR 1 million take prompt action to ensure VAT readiness by 16 April 2021.

Businesses with Annual Supplies less than OMR 1 million may opt to register voluntarily before the

mandatory registration deadline but must register as per mandatory registration threshold mentioned in the above table. VAT registration will enable Businesses recover input VAT paid to vendors, suppliers, sub-contractors etc. Independent evaluation should be done by Businesses to understand the advantages of obtaining registration before the prescribed deadline.

Thus, it is pertinent to conduct VAT impact assessment in order to evaluate Business's VAT obligation on technical positions, processes, systems and compliances.

Bipin Kapur
Managing Partner
Bipin.Kapur@bdo.com.om

Manvinder Singh
Audit Partner
Manvinder.Singh@bdo.com.om

Ashish Athavale
Tax Partner
Ashish.Athavale@bdo.com.om

Vijay Chandra
Senior Tax Manager
Vijay.n@bdo.com.om

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STATE OF QATAR

CORPORATE INCOME TAX

A number of new pieces of legislation were introduced in 2020, or just before the start of the new year.

On December 11, 2019, the State of Qatar issued the Executive Regulations (“ERs”) to the income tax law (Law No. 24 of 2018). The ERs focus on reforming the local tax administration system to align itself with Qatar’s international commitments towards greater transparency and provide application guidance to implement the tax law.

Also, on December 23, 2019, the State of Qatar deposited its ratification instrument for the Multilateral Convention to implement tax treaty related measures (MLI) to prevent base erosion and profit shifting. The MLI entered into force on April 1, 2020.

On May 31, 2020, The Ministry of Commerce and Industry of Qatar announced the issuance of Law 12 of 2020 on Public-Private Partnership (PPP), which provides a legal framework for partnership between the public and private sectors in Qatar. The purpose of the law is to support the private sector and increase its participation in the execution of major projects in the state in order to improve its competitiveness and enhance its contribution to the economic development of the country.

DHAREEBA NEW TAX PORTAL

The Qatar General Tax Authority has launched a tax administration portal called “Dhareeba”. It is an all-in-one digital tax administration platform where all taxpayers are required to register by September 30, 2020.

On 14 October 2020, General Tax Authority extended the deadline of Dhareeba registration until 31 December 2020.

FATCA, CRS AND CBC REPORTING

On 26 October, 2020, The General Tax Authority (“GTA”) in the matters related to FATCA, CRS and CbC Reporting confirmed that submissions related to all three matters shall be submitted via the AEOI Vizor Portal. The deadline for 2019 FATCA submissions has been extended to 10 December 2020.

ESSAM MOHAMED
Doha, State of Qatar
essam.mohamed@bdo.com.qa

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GLOBAL FORUM ON TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES - GCC UPDATE

The following table provides an update on changes to national law that GCC countries have implemented in response to standards set by the OECD and other international organisations.

OECD Action	KWT	KSA	UAE	BHR	OMN	QAT
1. Base Erosion and Profit Shifting (BEPS)						
Inclusive Framework on BEPS membership	-	Yes	Yes	Yes	Yes	Yes
Existence of harmful tax regimes (BEPS AP 5)	-		in the process of being amended/ eliminated	not harmful (no or only nominal tax jurisdiction)	Not harmful (no harmful regime exists)	Under review
Exchange of information on tax rulings (Action 5)	-	reviewed/no recommendations	review scheduled	no review (no tax jurisdiction)	Reviewed/no recommendations	Reviewed/no recommendations
Preventing treaty abuse (Action 6)	-	Reviewed in 2018 and 2019, no recommendation. 2020 review ongoing	Reviewed in 2018 and 2019, no recommendation. 2020 review ongoing	Reviewed in 2018 and 2019, no recommendation. 2020 review ongoing	Reviewed in 2018 and 2019, no recommendation. 2020 review ongoing	Reviewed in 2018 and 2019, no recommendation. 2020 review ongoing
CbC - Domestic law (Action 13)	-	Yes	Legal framework in place	Pending	update on status pending	Legal framework in place
CbC - Information exchange network (Action 13)	CbC MCAA not signed	Activated	Activated	Not activated	not activated	Activated
Effective dispute resolution (Action 14)	-	stage 1 reviewed & recommendations made	Review scheduled	Review scheduled	Review scheduled	Review scheduled
Multilateral Instrument (Action 15)	Signed	In force				

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GLOBAL FORUM ON TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES - GCC UPDATE

OECD Action	KWT	KSA	UAE	BHR	OMN	QAT
<u>2. Exchange of Information on Request (EOIR)</u>						
Global Forum membership	-	Yes	Yes	Yes	Yes	Yes
EOIR rating round 1	Not reviewed	prov. largely compliant	Largely compliant	Largely compliant	Not reviewed	Largely compliant
EOIR rating round 2	Scheduled in 2020	Largely compliant	Largely compliant	Compliant	Scheduled in 2022	Largely compliant
Mutual Administrative Assistance Convention	In force	In force	In force	in force	In force	In force
<u>3. Automatic Exchange of Information (AEOI)</u>						
Commitment to AEOI (CRS)	Yes	Yes	Yes	Yes	Yes	Yes
CRS MCAA signed	Not reviewed	Yes	Yes	Yes	Yes	Yes
Mutual Administrative Assistance Convention	In force	In force	In force	In force	In force	In force

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CONTACT INFORMATION

UNITED ARAB EMIRATES

BDO CHARTERED ACCOUNTANTS & ADVISORS
23rd Floor, Burjuman Office Tower
Sheikh Khalifa Bin Zayed Road, Dubai
P O Box 1961, Dubai, United Arab Emirates
Telephone : +971 4 518 6666
www.bdo.ae

KINGDOM OF SAUDI ARABIA

BDO DR. MOHAMED AL-AMRI & CO.
7th & 8th floor, Moon Tower
7542 King Fahd Branch Road - AR Rahmaniya
Riyadh 12341 - 4142, Kingdom of Saudi Arabia
Telephone : +966 11 278 0608
www.bdoalamri.com

KUWAIT

BDO AL NISF & PARTNERS
Al Shaheed Tower, 6th Floor
Khaled Ben Al Waleed Street, Sharq, Kuwait
P O Box 25578, Safat 13116, Kuwait
Telephone : +965 22 42 69 99
www.bdo.com.kw

KINGDOM OF BAHRAIN

BDO
17th Floor, Diplomat Commercial Office Tower
Manama, Kingdom of Bahrain
P O Box 787, Manama, Kingdom of Bahrain
Telephone : +973 17 530 077
www.bdo.bh

SULTANATE OF OMAN

BDO JAWAD HABIB
Suite No. 601 & 602, Penthouse
Beach One Building
Way no. 2601, Shatti al Qurum
Sultanate of Oman
P O Box 1176, Ruwi 112, Sultanate of Oman
Telephone : +968 24 955 100
www.bdo.com.om

STATE OF QATAR

BDO JAWAD HABIB
38th Floor, Palm Tower (B), West Bay
P O Box 24139, Doha, State of Qatar
Telephone : +974 4434 9777
www.bdo.com.qa

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