

Below are the latest developments in Value Added Tax (VAT) in the GCC:

UAE

The United Arab Emirates (UAE) Federal Tax Authority (FTA) has published a standard Turnover Declaration Letter template. The letter is to be used by businesses applying for Value Added Tax (VAT) registration in the UAE and provides an overview of turnover by month since 2017. The letter is to be printed on the business' letterhead and signed and stamped before submission to the FTA. The purpose of the Turnover Declaration Letter published by the FTA appears to be for the purposes of tracking exactly when a business exceeded either of these thresholds, in order to better assess the eligibility to VAT registration and the date on which a business ought to have been registered by.

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The United Arab Emirates (UAE) Federal Tax Authority (FTA) has published a new Cabinet Decision relating to Expo 2020 Dubai. Cabinet Decision No. 1 of 2020 sets out the rules relating to Value Added Tax (VAT) refunds which may be requested by Official Participants of Expo 2020 Dubai in relation to expenses incurred in exhibiting at the event. Official Participants are defined as countries and intergovernmental organizations which have received and accepted the official invitation from the UAE government to participate in Expo 2020 Dubai in a non-commercial capacity as an exhibitor. The Cabinet Decision is similar to and cancels Cabinet Decision No. 1 of 2019. The new Decision appears to expand the scope of eligible expenses to expenses in connection with all operations, services and activities provided for the purpose of participation in Expo 2020 Dubai, whether located within or outside the boundaries of the Expo 2020 site (Article 2(1)(d) of the Decision). The Decision also details the process for submitting a refund application and the required supporting documentation. The official copy of the cabinet decision is not available online yet.

The FTA has published a press release announcing the introduction of an online platform for VAT refunds relating to new residences built by UAE citizens. This follows the FTA's recent publication of an updated version of its New Residences VAT Refund user guide. The guide details the process whereby UAE nationals may request a VAT refund on certain expenses related to the construction of a new residence in the UAE. Refunds may be requested via the FTA's e-Services portal, and the new version of the guide provides details about this process and the required documentation.

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The UAE Federal Tax Authority has published a Public Clarification on time-frame for recovering input tax. This Public Clarification clarifies the FTA's position relating to the interpretation of Article 55 of the VAT Law and discusses the time-period within which the input tax must be recovered. This Public Clarification also discusses the recourse available to taxable persons in the instance where input tax is not recovered within the prescribed time-period.

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BAHRAIN

The National Bureau for Revenue (NBR) has published guidance on how financial institutions should compute income from margin transactions for the purposes of determining their proportional deduction ratio for input tax. The income from these supplies for VAT purposes should be the “absolute value” of these transactions, a loss arising on a transaction is treated as a gain. Financial institutions should use the absolute value to compute the value of their supplies on margin transactions effected from 1 January 2019 (or the effective date of their registration for VAT purposes, if later). There is no requirement for financial institutions to submit amended VAT returns for previous VAT periods.

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SAUDI ARABIA

The Saudi Arabian General Customs Authority (“Saudi Customs”) recently published a new set of guidelines governing the Voluntary Disclosure Program (“VDP”), enabling importers to declare any historic non-compliance with Customs Law and/or Regulations in KSA. The offences committed by importers that result in the underpayment of custom duties, and are now disclosed through the new VDP, will not be subject to any penalties and/or criminal prosecution, i.e. Saudi Customs will only collect the applicable customs duty that should have been paid at the time of import. The VDP is available from January 1st, 2020 for a period of six months.

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Nishe is a boutique professional services firm based in the UAE specialising in the provision of accounting, Value Added Tax (VAT) and other related services to clientele in GCC.

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