



Below are the latest development in middle east tax in the GCC:

UAE

The Federal Tax Authority (FTA) has issued a public clarification on zero-rating of export of services. This follows the publication of the updated version of the Executive Regulation of the VAT Law No. 8 of 2017 in the beginning of July.

This Public Clarification provides a high-level clarification of the FTA's view of the zero-rating conditions in Article 31(1)(a) of the Executive Regulation relating to the residency and location of the recipient of services, taking into account the amendments made to Article 31(2) of the Executive Regulation in Cabinet Decision No. 46 of 2020. The clarification states that zero-rating is an exception to the default VAT rate and therefore in order to ensure that the zero-rated treatment is not applied incorrectly, the supplier should consider all available facts and seek, if necessary, additional information from the recipient in order to identify the recipient's residency status and location at the time the services are performed. If the supplier is not able to establish the necessary facts to ascertain if the zero-rating conditions are met, the supplier must standard-rate the supply.

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The Federal Tax Authority has held an online virtual workshop for accredited tax agents, which addressed the timeframe for input tax recovery and redemption procedures. In this workshop FTA has clarified the input tax recovery rules for expenses related to the ongoing COVID-19 pandemic.

The FTA stated that expenses related to COVID-19, such as workplace sterilization and testing of employees, are considered general expenses. The input tax incurred on such expenses is recoverable to the extent that a business is eligible for VAT recovery (e.g. fully recoverable for businesses making only taxable supplies and partially recoverable for businesses making both taxable and exempt supplies). It is to be noted that the input tax incurred on testing of employees' families is not recoverable unless the employee bears the cost.

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SAUDI ARABIA

The Saudi tax authority has updated its tax ruling request guideline. The guide applies to VAT, corporate taxes and withholding taxes. Tax rulings are a useful tool for taxpayers to obtain certainty on the tax treatment of particular transactions where there is ambiguity (even after considering any published guidance) - applies to situations where the taxpayer has entered into or is intending to enter into a transaction. For VAT, it should generally be the supplier applying for a ruling but there are cases where the recipient may also apply.

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The Saudi Arabian General Authority of Zakat & Tax ("GAZT") has extended number of initiatives. GAZT had provided certain tax initiatives in March 2020 in order to reduce the administrative and fiscal burden on taxpayers in KSA. These initiatives were only available till the end of June 2020.

Recently, GAZT announced that the timeline for four initiatives has now been extended. The three initiatives which are available till 30 September are:

- Accepting installment plans without insisting for a down payment;
- Payment of VAT on import through the tax return instead of the VAT paid during customs clearance;
- Accelerating payment towards refund requests;
- The fourth initiative includes postponing the suspension of services and seizure of funds of taxpayers who are not obligated to pay zakat and tax on the regular date. This suspension and seizure will be revoked until 31 August.

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The GAZT has updated their VAT guidelines to state that references made in the guides to 5% VAT or amounts calculated with reference to 5% VAT should be interpreted as 15% for supplies and imports made on or after 1 July 2020 – the transitional rules guideline should be consulted for the transitional period.

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BAHRAIN

The Bahrain National Bureau for Revenue (NBR) has extended the deadline for lodgment of the June return (due on 31 July) to 5 August because of the Eid public holidays at the end of July.

NBR has released a ruling request form which can be accessed through the 'VAT payer service request' section of the NBR's online portal. The form requires the taxpayer to select a reason for a ruling: VAT treatment of goods and/or services; registration; penalties; VAT periods; filing; collections; sector-specific; or other. Taxpayers must also select a basis for any ruling: VAT law; executive regulations; GCC agreement; previous rulings; VAT guidelines; and other.

When submitting a request, taxpayers must attach a letter containing a detailed and complete narrative, including:

- A detailed description of goods and/or services being supplied and what is being received and/or paid in return.
- The date (or proposed date) of the transaction;
- Details of all involved parties;
- Details of how the transaction will take/has taken place;
- Details of other advice previously obtained from third parties which you have prepared to disclose.

The letter must also explain why the transaction's correct VAT treatment is deemed unclear, including:

- Explaining why the NBR guidance, or the application of the relevant legislation, is open to different interpretations;
- Summarizing alternative interpretations and why the consequences are uncertain;
- Indicating which interpretation is correct, and why.

[Access Website](#)

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