



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

UAE

The Federal Tax Authority (FTA) has published an updated version of the Executive Regulation of the VAT Law No. 8 of 2017. Clause 2 of Article 31 “Zero-Rating Export of Services” is updated as below:

Updated clause: For the purpose of paragraph (a) of Clause 1 of this Article, a person shall be considered as being “outside the State” if they only have a short-term presence in the State of less than a month **and** the presence is not effectively connected with the supply.

Previous clause: For the purpose of paragraph (a) of Clause (1) of this Article, a person shall be considered as being “outside the State” if they only have a short-term presence in the State of less than a month, **or** the only presence they have in the State is not effectively connected with the supply.

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The United Arab Emirates (UAE) Federal Tax Authority (FTA) has published a decision on the postponement of the final phase of the Digital Tax Stamps (DTS) scheme. Federal Tax Authority decision No. 5 of 2020 extends the date from which it will not be permissible to supply, transfer, store or possess Designated Excise Goods (water pipe tobacco and electronically heated cigarettes) in the UAE which do not have a DTS-compliant stamp from 1 June 2020 to 1 January 2021.

The decision by FTA to postpone the milestone must be due to the fact that businesses may not have been able to sell any remaining non-DTS compliant stock due to business closures resulting from COVID-19 precautions. Additional details regarding the extension are set out in Excise Tax Public Clarification EXTP006.

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SAUDI ARABIA

GAZT has published a circular on the VAT treatment of liens and mortgages, which are often used as forms of collateral against the repayment of a loan.

The circular includes GAZT’s interpretation of the definition of each type of security interest, and states that the distinction between the security interests should not affect the VAT treatment.

The Circular states that the grant of collateral in the borrower’s property does not constitute a supply of goods and is not subject to VAT. Additionally, the release of collateral also does not create any VAT obligations for the lender or borrower.

In cases where a borrower defaults on its obligations and the lender is able to take possession of the property or sell the property to use the proceeds against the unpaid loan amount, the transfer of collateral ceases to be temporary and the borrower makes a supply of goods for VAT purposes. In such an event, the following rules apply:

Where the lender takes possession of the property for their own use or later sale, VAT is applicable only if the borrower is a Taxable Person. Where the lender arranges for the sale of the property to a third party without holding the property as their own asset, GAZT considers the lender to be arranging a supply of goods directly from the borrower to the third party, and VAT is only applicable if the borrower is a Taxable Person, and the borrower must issue a tax invoice and report the VAT due.

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The Saudi Customs Authority on 20 June 2020, started to implement increased import duty rates for certain goods based on a new tariff list dated 18 June 2020. New duty range from 5% to 20% with fewer commodities included than in the list announced on 27 May 2020. The full list of affected commodities is currently available in Arabic and English and can be viewed at below link.

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BAHRAIN

The Bahrain National Bureau for Revenue (NBR) has published a VAT registration and refund manual for eligible persons. This manual guides the Eligible Persons to navigate the National Bureau for Revenue (NBR) online portal and provides access to forms for Eligible Persons registration application, filing and obtaining refunds. The guide also details the rules and procedures in Bahrain in relation to the eligible persons refund process.

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The Kingdom of Bahrain (Bahrain) has recently published a VAT Retail and Wholesale Guide which sets out the general principles of VAT in relation to the retail and wholesale sector in Bahrain. The main purpose of the guide is to provide the reader an overview of the VAT rules and procedures in relation to the retail and wholesale sectors in Bahrain and, if required, how to comply with them.

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QATAR

The Qatar General Tax Authority (GTA) has launched its tax e-portal "Dhareeba" with the aim of running fiscal operations pertaining to taxpayers online in a quick, precise and transparent manner, developing tax work system and easing the burden on companies through facilitating the process of filling and submitting a tax declaration and other operations. GTA announced opening the companies' registration via "Dhareeba" e-portal effective from today, Wednesday, 1 July 2020. The Authority emphasized the need for all companies to complete all procedures required for registration, including companies that have tax cards.

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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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