



Below are the latest developments in tax in the GCC:

## UAE

As per the latest alert dated 22 October 2020: The Ministry of Finance (MOF) in the United Arab Emirates (UAE) has released the updated template for Economic Substance Regulations (ESR) notification and the much awaited ESR report on the MOF website. The official launch of MOF ESR portal is expected to be in first week of December. Originally Cabinet Resolution No. 31 of 2019 and the Ministerial Decision No. 215 of 2019 was issued in April 2019. These have now been repealed and replaced by the new Cabinet resolution No. 57 dated 10 August 2020 and Ministerial Decision No. 100 on 19 August 2020.

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The United Arab Emirates (UAE) Federal Tax Authority (FTA) has published a VAT public clarification - "VAT-free" special offers (VATP020) which clarifies the VAT treatment of promotions where the seller absorbs VAT on promotional goods. For purpose of this clarification, the term 'promotional goods' refers to goods that are sold as part of a special promotion.

The clarification (VATP020) states that the term "VAT-free" is misleading and contrary to the basic principles stipulated by the VAT legislation, since the goods or services are not actually supplied free of VAT. Taxable persons who are providing their customers with "VAT-free" offers should assess the VAT treatment of such offers in accordance with the VAT legislation and in line with the public clarification.

[\*Read More\*](#)

The FTA has released a new public clarification on the VAT registration of 'sole establishments' (VATP021).

As defined by the FTA, the term 'sole establishment' refers to a legal form of business which is 100% owned by a natural person. Considering that a sole establishment does not have a legal personality that is independent of its owner, the sole establishment is considered to be the same person as its owner.

The FTA highlights that the clarification does not apply to a One-Person Company LLC or other similar legal entities that are distinct and separate legal persons from their owners. The FTA clarifies that a natural person owning several sole establishments needs to obtain only one VAT registration for all its sole establishments. The VAT registration in such cases should be obtained ideally in the name of the natural person who owns the sole establishment. However, it is also allowed to obtain the VAT registration in the name of one sole establishment of the person.

For assessing whether the VAT registration threshold has been exceeded, the value of taxable supplies made by the natural person and the value of taxable supplies of the sole establishment should be considered collectively.

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The United Arab Emirates (UAE) Federal Tax Authority (FTA) has announced the introduction of a new version of the eDirham system to pay taxes in the UAE. The new system will take effect from November 2020, with a transition phase taking place through October 2020, after which the old version will no longer be available.

The FTA stresses the necessity for all those registered with the Authority who are eDirham users to prepare to switch to the new version of the eDirham, which will provide them with a more diverse set of options that are both easier to use and adhere to the highest standards of safety and excellence.

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## SAUDI ARABIA

The tax amnesty in KSA that commenced on 18 March 2020 has now been extended for a third period, until 31 December 2020. The amnesty for tax filing and payment applies for the waiver of penalties for Zakat, income tax, withholding tax, value added tax and excise tax. The tax amnesty does not include a waiver of penalties incurred due to tax evasion. The tax amnesty originally ran from 18 March 2020 until 30 June 2020, and then was extended until 30 September 2020.

The extension will provide further relief to taxpayers from the financial and economic impact on the private sector due to COVID-19. The fundamentals of the amnesty will continue to allow late registrations, corrections and amendments to all returns (VAT/Withholding tax, etc.) to occur without penalties.

## OMAN

Oman announced the implementation of Value Added Tax ('VAT') on 12 October 2020. The VAT Law was published in the official Gazette of Oman on Sunday, 18 October 2020 vide Royal Decree No. 121/2020. The date of implementation of VAT in Oman is expected to be 16 April 2021 (i.e. 180 days from the date of publication of the Law in the official Gazette). The standard rate of VAT in Oman is 5% and consistent with the GCC Unified Agreement, and there are provisions for zero rating and exemptions in the Oman VAT Law. The online registration for VAT is not yet live but is likely to commence from January 2021.

The VAT Executive Regulations will provide more detail on specific areas of the Law and are expected to be published by December 2020. Amongst other things, clarity around determination of the tax period, treatment of vouchers, list of blocked input tax credit, rules for input tax recovery, conditions for tax group registration, invoice requirements, etc., is awaited in the Executive Regulations. Given the relatively short implementation timeline and the fact that the Executive Regulations may not be issued until the end of 2020, it is crucial that businesses start to plan for implementation as soon as possible.

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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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