# GCC Indirect Tax Newsletter

**January 2020 Edition**

Insights
Tax and Legal Services
PwC Middle East

**We are pleased to share the January 2020 edition of PwC's GCC Indirect Tax Newsletter on the latest developments in the GCC.**

## The United Arab Emirates (UAE)

### Value Added Tax

#### Cabinet decision on Refund of VAT Paid on Goods and Services Connected with Expo 2020 Dubai

The FTA has published a new Cabinet Decision No. 1 of 2020 ("the Decision") for the refund of VAT paid on goods and services relating to Expo 2020 Dubai. The Cabinet Decision provides details including the conditions and process involved in obtaining the VAT refund by the Official Participants and it also cancels the previous Cabinet Decision No. 1 of 2019.

The link to the cabinet decision can be found below:
https://www.tax.gov.ae/-/media/Files/FTA/links/Legislation/VAT/Cabinet-Decision-1-of-2020----Version-to-publish.pdf

#### Public Clarification on Time-frame for recovering Input Tax (VATP016)

The FTA has published a new Public Clarification (VATP017) clarifying its position relating to the interpretation of Article 55(1) of the VAT Law read with Article 54(2) of the UAE VAT Executive Regulations.

It states that input VAT can only be recovered by taxpayers in the tax period in which the following (2) conditions are met:

(1) tax invoice is received; and

(2) consideration has been paid or there is an intention to make a payment of the consideration amount before the expiration of (6) months after the agreed date of payment.

The FTA considers that the intention to make a payment is only formed when the taxable person completes the internal approval process and forms an intention to make the payment within the prescribed period.

The Public Clarification also includes the recourse available to taxable persons in the instance where input VAT is not recovered within the prescribed time-period.

The link to the public clarification can be found below:
https://www.tax.gov.ae/-/media/Files/FTA/links/Public-Clarification/Time-frame-for-recovering-Input-Tax.pdf

#### Updated New Residences VAT Refund User Guide

The updated guide details the process for UAE nationals to request a VAT refund on certain expenses incurred for the construction of a new residence in the UAE via the FTA online portal. The previous process was to submit the VAT refund request information to the FTA by email.



The link to the guide can be found below:
https://www.tax.gov.ae/-/media/Files/EN/PDF/Guides/Home-Builders-Refund-User-GuideEnglishV01.pdf

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### Activation of download option for VAT return

The FTA has enabled an option to download the VAT return filed in PDF format. This function makes it easier for taxpayers to download the filed VAT return and archive.

### Turnover declaration letter for VAT registration purposes

The FTA has published a Turnover Declaration Letter template for businesses applying to register for VAT in order to provide the turnover starting from 2017 (on a monthly basis).

The link to the letter can be found below:
https://www.tax.gov.ae/-/media/Files/EN/Word/Turnover-Declaration-Letter.docx

## The Kingdom of Saudi Arabia (KSA)

### Value Added Tax

#### Operating rules of the Appeal Committees

In line with Saudi 2030 vision and continuous development and transparency in the Zakat, direct and indirect taxes environment in KSA, his majesty King Salman Bin Abdulaziz has issued a Royal Order "RO" to approve the operating rules of the Tax Violations and Disputes Resolution Committees ('TVDRC') and the Appellate Committee of Tax Violations and Dispute Resolution populated as per the memo issued by his excellency Saudi's Minister of Finance dated 24/4/1441 AH corresponding to December 21, 2019.

The operating rules state that GAZT's assessment becomes final and unappealable if the taxpayer didn't appeal against it within 60 days following the notification date (assessment notice date).

Following 60 days of GAZT's decision against the appeal, the assessment becomes final and unappealable if the taxpayer didn't request to transfer the dispute to the internal settlement committee or the TVDRC within 30 days of earlier of the following:

- Being notified of GAZT's decision against the appeal
- Elapse of 90 days following the appeal without response from GAZT
- Notification of the settlement committee ruling

A detailed news alert issued by PwC in this respect can be accessed through the following link: https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2020/ksa-operating-rules-appeal-committees.html

### Customs

Saudi Customs has recently introduced a Voluntary Disclosure Program ("VDP"), enabling importers to declare any historic non-compliance with Customs Law and/or Regulations in KSA. The initiative is meant to encourage importers to report customs transgressions and thereafter:

- Request the correction of customs declarations already submitted and;
- Pay the additional customs duties due to the errors reported in the customs declarations.

The VDP will provide for amnesty on penalties and fines, with Saudi Customs intending to only collect the determined payable customs duty resulting from the non-compliance identified.

## Duration of the VDP

The VDP runs from January 1st, 2020 to June 30th, 2020. During the allocated 6 month period, customs clients may request retrospective correction of their Customs declarations.

## Incentives

In 2018, Saudi Customs introduced the Post Clearance Audit (“PCA”), to conduct reviews of clients’ customs and commercial records in order to verify compliance with the customs laws and regulations. In the context of the PCA, a successful VDP can therefore result in savings in penalties, fines and avoidance of criminal prosecution.

## Scope of the VDP

The scope of the VDP includes:

1. Inaccuracy of information provided in custom declarations;
2. Failure to declare post-clearance occurrences which affect the validity of a customs declaration.

**Common errors, recognized under VDP** (that must be disclosed to Saudi Customs after the import).

- Under declaration of import value;
- Failure to declare dutiable value elements that may constitute part of the value for customs’ purposes;
- Non-compliance with the exemptions’ conditions regulated in applicable Free Trade Agreements;
- Non declaration of the imported goods in the customs declarations or the commercial invoices;
- Use of incorrect tariff headings and subheadings; and
- Violation of the conditions of duty exemption on industrial inputs or temporary admissions.

## Restrictions and limitations to VDP use

The VDP is only applicable if Saudi Customs has not already initiated a customs audit. With the initiation of the PCA, and taking into account applicable statute of limitations prescribed by the GCC Common Customs Law (5 to 15 years), Saudi Customs encourages customs clients to take advantage of the VDP.

## Conclusion

The introduction of the VDP Guidelines highlights Saudi Customs’ clear intention to raise the level of compliance with customs regulations, providing importers with an opportunity to voluntarily come forward and be pardoned from penalties that would ordinarily be imposed.

# The Kingdom of Bahrain (Bahrain)

## Value Added Tax

### One-time annual VAT filing submission for taxpayers whose annual supplies are less than one hundred thousand Bahraini Dinars

Following the decision made by the Cabinet on 23rd , December 2019, the National Bureau for Revenue (NBR) announced that taxpayers whose annual supplies are lower than one hundred thousand Bahraini Dinars will be able to submit a simplified one-time annual VAT “filing document”, instead of filing VAT returns on a quarterly basis.

The NBR will publish further information on how to apply for annual filing in due course.

The link to the press release issued by the NBR can be found below:
https://www.nbr.gov.bh/releases/71

### The NBR releases an updated version of the VAT Education Booklet

The updated booklet replaces “Ministry of Education” with “Competent authority in Bahrain” which indicates that the zero-rating provisions under Article 53(12) of Bahrain VAT Law may apply to the supply of educational services and related goods and services by educational institutions licensed or regulated by authorities other than the Ministry of Education.

The link to the updated booklet can be found below:

https://s3-eu-west-1.amazonaws.com/nbrproduserdata/media/HDKqXhzX3KZ1VxOdJkNZCXLk51Kq1TyJKyHBRw8h.pdf

### Electricity and water charges will be inclusive of 5% VAT

The Bahrain Cabinet has decided that electricity and water bills issued by the Electricity and Water Authority (EWA) will be VAT inclusive. This means that there will be no price increase for customers as a result of VAT. Furthermore, VAT registered businesses can claim input tax on EWA bills where the electricity and water is used to make taxable supplies, meaning that such businesses will benefit from a reduction in their EWA bills.

# The Sultanate of Oman (Oman)

## Value Added Tax

### VAT to be implemented from early 2021

During a recent interview with Bloomberg Markets at the World Economic Forum in Davos, Oman's Minister of Commerce and Industry, H.E. Dr. Ali bin Masoud Al Sunaidy stated that Oman would likely introduce VAT in early 2021. However no formal communication of the implementation date has been made by the Oman Tax Authority. Businesses should start to prepare for VAT, which will have enterprise wide implications, by assessing the impact on their operations and systems at the earliest opportunity.

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