



# GCC Indirect Tax Newsletter

**May Edition**

Insights  
Tax and Legal Services  
PwC Middle East



## The United Arab Emirates (UAE)

### Value Added Tax

#### Legislative updates:

#### **Amendment of administrative penalties imposed for violation of tax laws and reduction of previously imposed penalties**

On 28 April 2021, the UAE Cabinet of Ministers issued Resolution No. 49/2021 to amend the provisions of Cabinet Resolution No. 40/2017 relating to administrative penalties imposed for violation of Tax Laws in the UAE.

The new resolution grants the UAE Federal Tax Authority ("FTA") the right to reduce previously unpaid administrative penalties to 30% of the total penalties where the registrant has paid all taxes due by 31 December 2021.

The new resolution is applicable effective sixty (60) days as of the date of its issuance i.e. effective as from 28 June 2021

#### **1. Amendment of administrative penalties**

The new resolution amends the administrative penalties listed in Table No.(1), Table No.(2) and Table No. (3) of Cabinet Decision No. 40/2017. Some of the key amendments to the administrative penalties listed in the new resolution are as follows (non-exhaustive list):

- AED 20,000 reduced to AED 10,000 for failure of the taxable person to submit a registration application within the timeframe specified in the Tax Law.
- AED 10,000 reduced to AED 1,000 monthly (not exceeding AED 10,000) for failure of the registrant to submit a deregistration application within the timeframe specified in the Tax Law.
- AED 15,000 reduced to AED 5,000 for failure by the taxable person to display prices inclusive of VAT.
- AED 5,000 (for each tax invoice) reduced to AED 2,500 (for each instance discovered) for failure by the taxable person to issue a tax invoice / tax credit note or an alternative document when making any supply.
- AED 5,000 (for each tax invoice) reduced to AED 2,500 (for each instance discovered) for failure by the taxable person to comply with the conditions and procedures regarding the issuance of electronic tax invoices and electronic tax credit notes.

Moreover, the percentage based penalties applicable to the late payment of the tax due - in the tax return or in the voluntary disclosure or in the tax assessment - are reduced and the 1% daily penalty previously imposed is eliminated.

The new late payment penalty is now calculated as follows (the 300% cap still applies):

- 2% of the unpaid tax due on the day following the payment due date,
- 4% monthly penalty due after one (1) month from the payment due date, and on the same date every month thereafter, on the amount of tax that has not been paid to date.

## The United Arab Emirates (UAE)

### Value Added Tax (continuation)

#### Amendment of administrative penalties imposed for violation of tax laws and reduction of previously imposed penalties (cont'd)

##### 2. Calculation of penalties

The new resolution stipulates that the payment due date for the purposes of calculating the late payment penalty shall be as follows:

- 20 business days as of the date of submission of a voluntary disclosure.
- 20 business days as of the date of receipt of a tax assessment.

The above overrides the application of late payment penalties retrospectively from the due date of filing of the tax return subject to amendment or assessment.

##### 3. Discounts for previously imposed penalties

Administrative penalties - that have not been paid - imposed before the effective date of the new resolution will be reduced to 30% of total unpaid penalties if all of the following conditions are met:

- a. The penalties were applied under the previous Cabinet Resolution No. 40/2017;
- b. The registrant has paid all taxes due by 31 December 2021; and
- c. By 31 December 2021, the registrant has paid 30% of the total administrative penalties due and unpaid by the effective date of the new resolution (i.e. 60 days as of 28 April 2021).

##### 4. Effective date of the new Cabinet Resolution

The new resolution shall be effective after sixty (60) days from the date of its issuance on 28 April 2021, i.e. effective as from 28 June 2021.

#### Key takeaway

Taxpayers can now benefit from the reduced administrative penalties that would notably apply when amending the previously submitted VAT returns to adjust errors or omissions. The period in which the related voluntary disclosures are filed will determine the percentage based penalty that would apply. Taxpayers should also evaluate the conditions stipulated in the new resolution to benefit from the reduction of previously imposed penalties, which will be applicable until 31 December 2021.

Please also refer to PwC Newsalert on this amendment

<https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2021/amendment-administrative-penalties-imposed-violation-tax-laws-reduction-previously-imposed-penalties.html>

## The United Arab Emirates (UAE)

### Value Added Tax (continuation)

#### Non-legislative updates:

#### Public Clarification (VATP025): Temporary Zero-rating of Certain Medical Equipment

*Please be informed that Public Clarification VATP025 replaces Public Clarification VATP023. In accordance with Cabinet Decision No. 15/3 O of 2021, the period for temporary zero-rating of certain medical equipments is extended until 31 December 2021. Previously 28 February 2021.*

The Public clarification highlights that a supply or import of **certain medical equipment** may be zero-rated where the supply or import occurs within the period from 1 September 2020 until 31 December 2021.

It should be noted that the zero-rating of supplies and import under the Cabinet Decision (No. 9/12 O of 2020) is separate, and in addition to the zero-rating of any other medical equipment in accordance with Cabinet Decision No. 56 of 2017 on Medications and Medical Equipment Subject to Tax at Zero Rate.

The Clarification (VATP025) specifies the “medical equipment” under the temporary zero-rating rules are personal protective equipment used for the protection from Covid-19, and which contain the features and meet the specifications determined and specified by the Ministerial Decision. Such medical equipment are limited to:

- Medical face masks that are not included in the Cabinet Decision No. 56 of 2017 on Medications and Medical Equipment Subject to Tax at Zero Rate (of approved standards 14683 and UAE.S ASTM F2100)
- Half filtered face mask (UAE.S EN 149);
- Non-Medical “community” face mask made from textile (UAE.S 1956);
- Single-use gloves (UAE.S ISO 374-2); and
- Chemical disinfectants and antiseptics intended for use on the human body, but excluding detergents, cosmetics and personal care products (UAE.S EN 1276, EN 1650, and EN 14476:2013+A2).

The supply or import of the medical equipment mentioned in the Ministerial Decision is zero-rated only where the date of import or both of following dates fall into the period from 1 September 2020 to 31 December 2021 for supply of the medical equipment:

- the date of supply as determined in accordance with Articles 25 and 26 of the UAE VAT Law), and
- the date the medical equipment is delivered to the recipient or placed at the recipient’s disposal.

Retrospective application of the rules is allowed effective from 1 September 2020:

- Where a supplier is aware of the identity of the recipient to whom it has charged VAT at 5% on a supply which was eligible for zero-rating under the Cabinet Decision, the supplier shall issue and deliver a tax credit note to the recipient and reduce its output tax by the amount of the VAT shown in the tax credit note.
- Where a supplier is unable to identify a recipient of the supply for the purpose of issuing and delivering the tax credit note (for example, a supermarket is unlikely to know who purchased qualifying medical equipment), the supplier should ensure that it accounts for the collected VAT in the tax return relating to the tax period in which the supply was made.

#### Key points to note:

- i. The zero-rating rules do not apply in respect of any supply of medical equipment where the date of supply, or the date the medical equipment is delivered to the recipient or placed at the recipient’s disposal, falls outside the period from 1 September 2020 to 31 December 2021.
- ii. Medical equipment cannot be zero-rated where the date of import is either before 1 September 2020 or 31 December 2021.



## The United Arab Emirates (UAE)

### Value Added Tax (continuation)

#### Public Clarification (VATP024): Adjustment on Account of Bad Debt Relief

The Federal Tax Authority (FTA) of the United Arab Emirates (UAE) published a VAT Public Clarification - Adjustment on Account of Bad Debt Relief (VATP024) which discusses the conditions which must be met in order to benefit from the Bad Debt relief scheme. In order to benefit from the Bad Debt relief scheme, the following four conditions must be met:

**a. The goods and services should have been supplied and VAT on the supply should have been charged and accounted for**

The FTA considers that this condition will be satisfied where the supplier has charged VAT on the tax invoice and has also accounted for VAT to the FTA via its tax returns.

**b. The consideration for the supply should have been written off in full or in part as a bad debt in the accounts of the supplier;**

The bad debt relief can only be taken to the extent of the consideration written off in the accounts. Therefore, if only a part of consideration is written off, a bad debt relief can be taken only to the extent of such written off consideration.

**c. More than six months should have passed from the date of the supply;**

This means that a supplier must wait for six months from the date of supply to initiate the process of bad debt adjustment. The FTA considers that during the course of these six months, the supplier should engage with the customer to recover the debt and collect the outstanding amount.

**d. The supplier should have notified the customer of the amount of consideration for the supply that has been written off.**

The FTA considers that the notification issued to the customer must, at the minimum, contain the following information in addition to any other information that the supplier may choose to include:

- Invoice number and date of the tax invoice which has not been paid by the customer;
- Amount of consideration that has been written off by the supplier.

It **should** be noted that the Decree-Law does not prescribe any specific method through which a notification should be made to the customer. The FTA considers the requirement of notifying a customer will be satisfied where a supplier sends a letter, email, post, or any other similar communication to the customer stating the amount of consideration that has been written off.

Please note that whilst it is not necessary for the supplier to receive an acknowledgement from the customer before taking the bad debt adjustment, a supplier needs to evidence documentation and/or that best measures were taken to notify the customer. Evidence to this effect must be retained

#### Mechanism to claim bad debt relief

Where a VAT registered supplier meets all the aforementioned conditions, it is eligible to claim a bad debt relief. Any adjustment on account of bad debt relief should be made in the "Adjustment column" of Box 1 of the VAT return. The adjustment amount should be the VAT amount only and should be reported for each Emirate, where applicable, in accordance with the respective **output tax** amount being adjusted.

## The United Arab Emirates (UAE)

### Value Added Tax (continuation)

#### Update to Refund Guide for Business Visitors (VATGRB1)

The FTA has made the following amendments to the refund guide:

1. Added detail to Section 2.1 regarding effective date from which a Foreign Business can claim VAT refunds when a country is added to the List of Countries with Reciprocal Agreements for the Business Visitors VAT Refunds. - *A Foreign Business will only be entitled to a VAT refund in respect of expenses incurred on or after the effective date of the agreement between the UAE and foreign business's country.*
2. Updated Section 3 with regards to the documents required when completing the VAT refund form - *Certificate of Incorporation is no longer required whereas a self-declaration is required where a business is not entitled to full input tax recovery in its own country, unless an official letter stating the extent of input tax recovery (%) is obtained from the Tax Authority in the business' country.*
3. Section 5 was updated to reflect more recent dates. - *The opening date for Refund applications is 1 March (i.e. for the period 1 January 2020 – 31 December 2020, applications are accepted from 1 March 2021). The last day for submission of refund claims shall be 31 August of each year.*
4. Section 7 was updated - *It has been clarified that scanned copies of tax invoices or system generated tax invoices will also be accepted as 'hard copy' tax invoices when sent by email for purposes of submitting a VAT refund claim. The company name and claim reference number should be reflected in the subject of the email. Please note that the maximum email size is 20MB per email.*

*Furthermore, hard-copy documents will only be retained by the FTA for 6 months, after which the documents will be disposed, unless prepaid envelopes were provided with the application.*

5. Appendix A: List of Countries with Reciprocal Agreements for the Business Visitors VAT Refunds was removed from the Guide as the list is published separately. The list will be updated as and when required. (Link for the list of countries is below for reference)

<https://www.tax.gov.ae/-/media/Files/EN/PDF/Guides/Refund-Guide-for-Business-Visitors---List-of-countries---EN---20-04-2021.pdf>

#### Update to Real Estate Guide VAT GRE1

The FTA has amended the real estate guide - section 13.2 to update the time-limit for special VAT refund for new residences. The VAT incurred by a UAE citizen on the construction of a residence, the refund claim must be lodged with the FTA within **12 months** from the date of completion of the newly built residence. Previously this was 6 months.



## The United Arab Emirates (UAE)

Value Added Tax (continuation)

### Business Bulletin - Automotive Sector

The FTA has released a basic tax information bulletin in relation to the automotive sector. The same can be accessed from the link below:

<https://www.tax.gov.ae/-/media/Files/FTA/links/Public-Clarification/Bulletin-AUTOMOTIVE-SECTOR-30Mar.pdf>

### Deregistration Turnover Letter

The FTA has issued a new 'Turnover Declaration Letter' template for deregistration. The same can be accessed from the link below:

<https://www.tax.gov.ae/-/media/Files/EN/Word/Turnover-Declaration-Letter---De-registration.docx>

## The Kingdom of Saudi Arabia (KSA)

### Value Added Tax

#### Non-legislative update:

#### VAT refund in the GCC for non-resident eligible persons:

Subject to certain conditions, non-resident persons that are not registered for VAT purposes in the GCC VAT Implementing States (currently KSA, UAE and Bahrain) and are not engaged in any economic activities therein, may file a claim for VAT refund.

The deadline for submitting VAT refund applications for KSA and UAE is within 6 months from the end of the calendar year in which the VAT was paid; whereas for Bahrain, the deadline is 3 months.

The PwC news alert issued on the matter can be accessed through the following link:

<https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2021/gcc-vat-refund-for-non-resident-eligible-persons.html>

#### VAT Guide on electronic stores obligations

GAZT has published a new guide to help the owners of electronic stores to comply with their duties related to the VAT and guide them through the VAT compliance requirements (i.e. registration, declaration, payment, etc).

The guide, available in Arabic language at the moment, can be accessed through the following link:

<https://gazt.gov.sa/ar/HelpCenter/guidelines/Documents/E-commerce%20Guideline.pdf>

The PwC news alert issued on the matter can be accessed through the following link:

<https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2021/saudi-arabia-vat-guide-electronic-stores-obligations.html>



## The Kingdom of Saudi Arabia (KSA)

### Value Added Tax

#### Legislative Updates

#### **Draft of the controls, requirements, technical specifications and procedural rules for implementing the provisions of the E-Invoicing Regulations**

GAZT published a draft resolution (for public consultation) on the requirements, technical specifications and procedural rules for implementing the provisions of the E-Invoicing Regulations.

The resolution aims to specify the business and technical requirements to be mandated as part of the journey towards e-invoicing.

The resolution can be accessed through the following link:

[https://gazit.gov.sa/ar/RulesRegulations/UnderConsultations/Documents/E-Invoicing%20Implementation%20Resolution%20-%20Arabic%20Version\\_vPublicConsultation.pdf](https://gazit.gov.sa/ar/RulesRegulations/UnderConsultations/Documents/E-Invoicing%20Implementation%20Resolution%20-%20Arabic%20Version_vPublicConsultation.pdf)

A detailed newsalert has been issued by PwC on this matter which can be accessed through the following link:

<https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2021/gazit-controls-requirements-technical-specifications-procedural-rules-implementing-provisions-einvoicing-regulation.html>

#### **Special Tax Rules for the Integrated Logistics Bonded Zone**

The General Authority of Civil Aviation (“GACA”) issued the Special Tax Rules (the “Tax Bylaws”) setting out the tax and customs incentives (and the associated conditions) that apply to entities established in Integrated Logistics Bonded Zones to carry out specific activities.

The Tax Bylaws can be accessed through the following link:

[https://gaca.gov.sa/scs/Satellite?c=GACA\\_Content\\_C&cid=1440409719677&locale=en\\_GB&pagename=GACA%2FGACA\\_Content\\_C%2FGACA\\_ContentDetailInvestm\\_CT](https://gaca.gov.sa/scs/Satellite?c=GACA_Content_C&cid=1440409719677&locale=en_GB&pagename=GACA%2FGACA_Content_C%2FGACA_ContentDetailInvestm_CT)

A detailed newsalert has been issued by PwC on this matter which can be accessed through the following link:

<https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2021/ksa-special-tax-rules-for-special-integrated-logistics-zone.html>

## The Kingdom of Bahrain (Bahrain)

### Value Added Tax

#### Non-legislative update:

#### **NBR releases a VAT Agent / VAT Representative Guide**

The National Bureau for Revenue (NBR) in Bahrain has recently released a VAT Agent / VAT Representative Guide.

The Guide sets out guidance on the criteria that must be met in order for a person to become a VAT agent or representative in Bahrain and the process on how to apply to be approved as a VAT agent / representative by the NBR. It also explains how a taxable person can appoint a VAT agent or representative to act on their behalf.

A detailed newsalert has been issued by PwC on this matter which can be accessed through the following link: <https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2021/bahrain-nbr-releases-vat-agent-vat-representative-guide.html>

The VAT Agent / VAT Representative Guide on the NBR website can be accessed through the following link: [https://www.nbr.gov.bh/guidelines\\_and\\_publications](https://www.nbr.gov.bh/guidelines_and_publications)

## The Sultanate of Oman (Oman)

### Value Added Tax

#### Non-legislative updates:

#### Simplified tax invoice

Referring to Article 146 of the Oman VAT Executive Regulations ('Executive Regulations'), businesses may issue simplified tax invoice (instead of a full tax invoice in terms of Article 143 read with Article 144 of the Executive Regulations) after obtaining the approval of the Oman Tax Authority (OTA), subject to the fulfilment of the following conditions:

1. The nature of the supplies does not require the issuance of immediate Tax Invoices in accordance with Article (144) of the Executive Regulations.
2. The value of supplies excluding Tax should be less than five hundred (500) Omani Rial.

On 15 April 2021, the OTA issued a notice allowing businesses to issue simplified tax invoices from 16 April 2021, subject to the fulfillment of the prescribed conditions:

1. The VAT registrant should adhere to the requirements for simplified tax invoice in Article 148 of the Executive Regulations (i.e. the VAT registrant must submit an application for OTA's approval to issue simplified tax invoice).
2. The taxpayer concerned should inform the OTA of the simplified invoices on or before 15 July 2021 and provide OTA a copy of the simplified tax invoices issued by the taxpayer

It was also clarified in the same notice that the VAT amount should be mentioned upto 3 decimal places in Omani Riyal on the simplified tax invoice.

#### Oil & gas sector zero rating

In relation to the zero-rating of goods and services provided in connection with upstream ('primary') and midstream ('intermediate') oil and gas activities in Oman and as per article 93 (3) of the Executive Regulations, in order to zero rate oil and gas supplies, a supplier is required to be registered and licensed by the Ministry of Energy and Minerals.

In relation to this requirement **and whether the** registration on the Joint Supplier Registration System (JSRS) may be used as a 'proxy', the Ministry of Energy and Minerals (MEM) confirmed that they are liaising with the Oman Tax Authority to accept Joint Supplier Registration System (JSRS) registration in lieu of MEM registration and licensing. MEM recommends that businesses that have not yet registered for VAT (or are in the process of doing so) should submit their JSRS certification along with their application.

## The Sultanate of Oman (Oman)

### Value Added Tax

#### Zero rating of the supply of medicines and medical equipments

Ministerial Decision No. 59/ 2021 has been issued by the OTA Chairman for zero-rating the supplies of medicines and medical equipment for which a release permit is issued by the Ministry of Health in accordance with the customs code (HS code).

Further to the release of the Ministerial Decision, the Ministry of Health has released 2 separate lists for medical devices and medicines, respectively, based on the customs HS codes.

Below is the link to these lists on the Ministry of Health portal - [List of Medical Devices \(based on HS codes\)](#) and [List of Medicines \(based on HS codes\)](#)

#### Non-resident VAT registration

On April, 2021, The Oman Tax Authority published guidance on the VAT registration procedure for non-resident businesses in Oman. In summary, the following two options have been made available for non-residents with a VAT registration requirement in Oman:

1. **Appoint a tax representative** - A tax representative will replace the non-resident person in all that is related to his tax liabilities and rights.
2. **Provide a bank guarantee or fiscal undertaking** to the Oman Tax Authority for a value no less than 5% of the forecasted annual taxable supplies in Oman during the year where a tax representative is not appointed.

Link to the VAT registration procedures for Oman non-resident applicants issued on 16 April 2021

<https://tms.taxoman.gov.om/portal/web/taxportal/vat-tax>

#### Legislative updates:

#### Revised list of zero rated Food products

As per Article 51 (1) of the Oman VAT law, the supply of food items is zero rated. A separate Ministerial Decision No. 2/2021 dated 4 Jan 2021, was issued by the OTA Chairman providing a list of such food items (list of 93 food items).

In furtherance to the initial list (consisting of 93 food items), the OTA issued a separate Ministerial Decision No. 65/ 2021 on April 11, providing a new list of food items zero-rated under Oman VAT (list of food items increased to 488 from 93 food items).

Link to the Ministerial Decision No. 65/ 2021 issued today (Arabic version) -

<https://tms.taxoman.gov.om/portal/web/taxportal/vat-tax>



## The Sultanate of Oman (Oman)

### Value Added Tax

#### Special Zones classified by OPAZ

On April 27 the Public Authority for Special Economic Zones and Free Zones (OPAZ) in Oman announced, that the Special Economic Zone at Duqm (SEZAD) and the Free Zones in Salalah, Sohar and Al Mazunah are classified as Special Zones for the purposes of VAT, as per Decision No. 53/2021.

In the announcement it is also prescribed by OPAZ that a taxable person (operating in the Special Zones mentioned above), applying for VAT registration must attach to the VAT registration application a copy of the commercial registration certificate and a copy of the license issued by the relevant Special Zone Authority for carrying out economic activity in the Special Zone. It may also be prudent, for the taxable persons who have already registered for VAT to submit (email) their license to operate in the Special Zone along with their VAT registration details to the Oman Tax Authority on [VAT@taxOman.gov.om](mailto:VAT@taxOman.gov.om), as a matter of good practice.

*Below is the link to the OPAZ announcement on Special Zones:*

<https://opaz.gov.om/en/news/2021/sezad-and-free-zones-in-salalah-sohar-and-al-mazunah-are-classified-special-zones>

## The Sultanate of Oman (Oman)

### Value Added Tax

**Further to the implementation of Value Added Tax Law (VAT) in Oman, the Tax Authority issued the VAT Executive Regulations ('Executive Regulations'), on Sunday , 14 March 2021 via Official Gazette No. 1383.**

VAT Law was Published on 18 October 2020 in Oman in Royal Degree No; 121/2020, and the Executive Regulations set out the rules and procedures for the implementation of this Law.

The Executive Regulations are divided into thirteen chapters, and include details relating to the procedures and conditions relating to the implementation of VAT Law in Oman. These provide clarity around issues such as

- Procedure for registration and deregistration
- Computation of Value Added Tax
- Exempt and Zero rated transaction treatment
- Import and Export transaction and documentation requirement
- Procedure for filing of VAT returns
- Provisions for the payment and refund of input tax credit
- Procedure for conducting assessments and appeals
- Levy of administrative penalties and fines

The publication of the VAT Executive Regulations provides the taxpayer further clarity on the VAT provisions set out in the law.

The Regulations in both languages here can be accessed through the following link:

<https://tms.taxoman.gov.om/portal/web/taxportal/vat-tax>

[www.pwc.com/me](http://www.pwc.com/me)

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