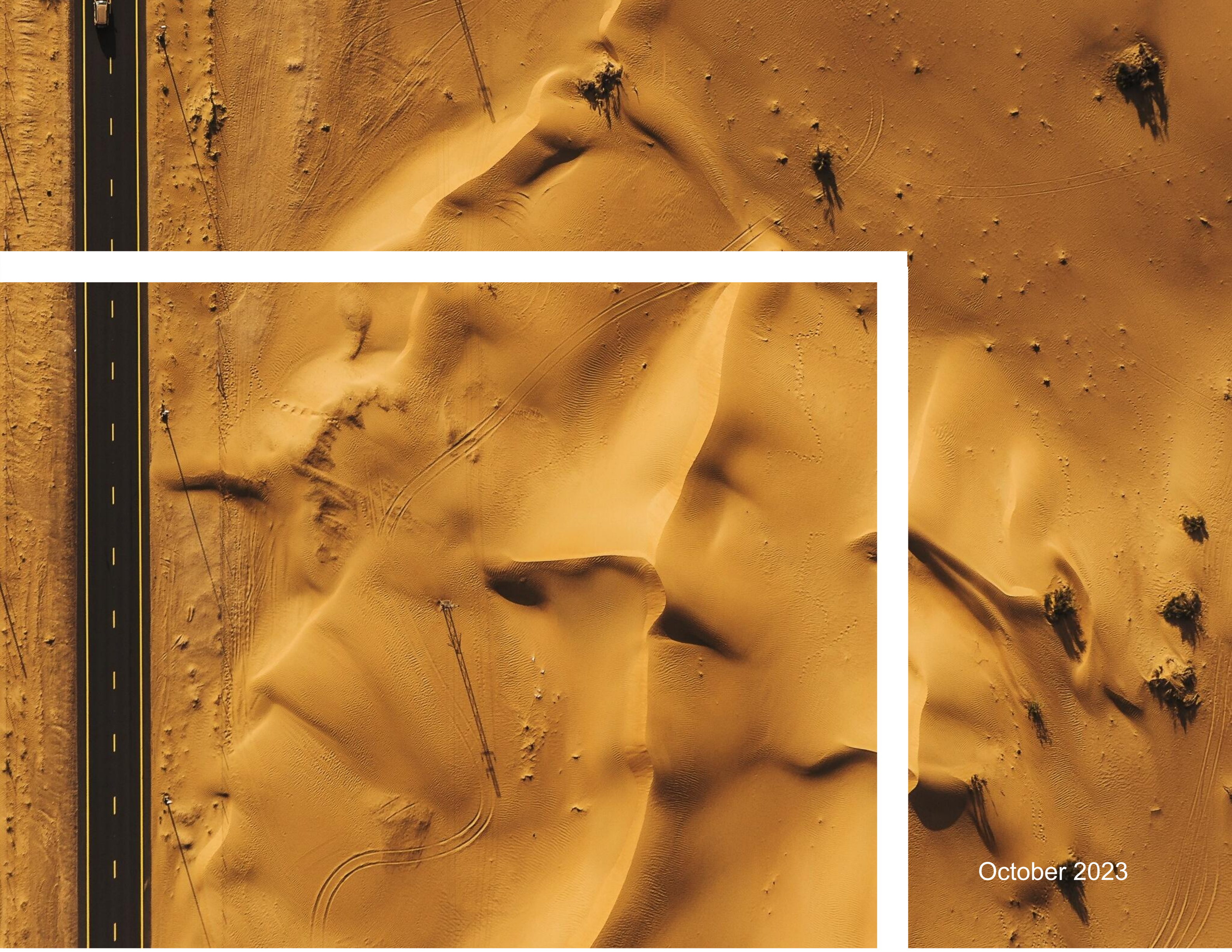

October 2023

GCC Indirect Tax News Roundup

Quarter Three 2023

PwC Middle East
Tax & Legal Services

Mandatory B2B E-Billing in the UAE by 2025

The UAE Ministry of Finance recently announced major strategic transformational projects to support its ongoing endeavours to implement national priorities and improve government financial work with the aim of further enhancing future readiness.

One of these projects is the implementation of an advanced electronic billing system ("E-Billing System") and activate it at the country level. The system will automate the procedures for filing tax returns, improve tax compliance and reduce cases of tax evasion.

While the specific details of the new E-Billing System are yet to be announced, it is expected that the project includes different phases and targets that are set to be completed by July 2025.

What is E-Billing?

E-Billing will enable suppliers and recipients to exchange Tax Invoices / Tax Credit Notes in a standardized and electronic format. It would mean that manual/editable invoices can not be issued and instead businesses will be require to adopt compliant e-billing solutions to issue, store and receive their invoices.

While e-invoicing systems are environmentally friendly, these are also expected to improve compliance, record keeping and transparency.

Indirect Taxes in the GCC

An overview of the current indirect taxes applicable in the GCC

UAE

VAT standard rate of 5% (reduced VAT rate 0%).

Excise Tax rates:

100% for tobacco, tobacco products, electronic smoking devices and energy drinks; and

50% on carbonated and sweetened drinks.

KSA

VAT standard rate of 15% (reduced VAT rate 0%).

Real Estate Transaction tax (**RETT**) applicable at 5% (effective 4 October 2020).

Excise Tax rates:

100% for tobacco products, electronic smoking devices and energy drinks; and

50% on soft drinks and sweetened drinks.

Bahrain

VAT standard rate of 10% (reduced VAT rate 0%).

Excise Tax rates:

100% for tobacco (and related) products and energy drinks; and

50% on soft drinks.

Oman

VAT standard rate of 5% (reduced VAT rate 0%).

Excise Tax rates:

100% on tobacco and related products, energy drinks and special purpose goods (pork & alcohol products), 50% on carbonated drinks.

Qatar

VAT is not yet introduced in Qatar.

Excise Tax rates:

100% for tobacco products and energy drinks and special purpose goods (pork & alcohol products); and

50% on carbonated drinks.

Kuwait

VAT and Excise Tax are not yet introduced in Kuwait.

Table of contents

01

UAE

Indirect Tax Updates

United Arab Emirates

Tax Procedures

Issuance of a new Tax Procedures Executive Regulations

The Prime Minister of the UAE, H.H. Sheikh Mohammed Bin Rashid Al Maktoum, issued Cabinet Decision No. (74) of 2023 on the Executive Regulation of Federal Decree-Law No. (28) of 2022 on Tax Procedures ("New Executive Regulation"), which repealed Cabinet Decision No. (36) of 2017 on the Executive Regulation of Federal Law No. (7) of 2017 on Tax Procedures and its amendments ("Previous Executive Regulation").

The new Executive Regulation was published in the Official Gazette and was effective from 1 August 2023.

The main changes in the New Executive Regulation are in relation to the following topics:

- Definitions
- Recordkeeping
- Period of record keeping
- Language
- Tax registration amendments
- Deregistration
- Voluntary disclosures
- Means of notification
- Tax agents
- Tax audits
- Disposal of seized goods
- Reconciliation process for tax evasion crimes
- Extension of deadlines

Further details of the New Executive Regulations are available in PwC's news alert that can be accessed via this Link.

In addition, the FTA issued a public clarification (TAXP006) on the New Tax Procedures Executive Regulation that can be accessed via this Link.

United Arab Emirates

Value Added Tax

Introduction of a special reverse charge mechanism for the supply of electronic devices

Cabinet Decision No. (91) of 2023 was published in the official gazette issue No. 758 dated 30 August 2023 to introduce a special reverse charge mechanism applicable to the local supply of electronic devices.

The new decision sets the conditions and requirements that should be met for the application of VAT through the reverse charge mechanism. The effective date of the new decision is 60 days from the date of its publication in the official gazette i.e. effective from 29 October 2023.

An Electronic Device, as defined in the new decision, refers to *"mobile phones, smart phones, computers, tablets, and their spare parts"*. A new mechanism to apply VAT on the supply of electronic devices is provided as follows:

Where a supplier makes a supply of electronic devices to a registered recipient in the UAE, and the recipient intends to either resell such devices or use them to produce or manufacture electronic devices, the following rules shall apply:

- The supplier shall not be liable for calculating VAT in relation to the supply of electronic devices and shall not include it in his VAT return.
- The recipient of electronic devices shall calculate VAT on the value of electronic devices supplied to him and shall be responsible for all applicable VAT obligations related to the supply and for calculating the due VAT in respect of such supplies.

Further details of the special reverse charge mechanism for the supply of electronic devices are available in PwC's news alert that can be accessed via this Link.

In addition, the FTA issued a public clarification (VATP034) on the application of the reverse charge mechanism on electronic devices among registrants in the UAE that can be accessed via this Link.

United Arab Emirates

Customs and Trade

New Free Trade Agreements

The UAE has entered into new Comprehensive Economic Partnership Agreements (CEPAs) with Turkey, Indonesia and Georgia. Further details are listed below.

- **Turkey - UAE CEPA**

  The CEPA between Turkey and the UAE entered into force on 1 September 2023. The agreement aims to reduce or eliminate eliminating duties on 82 percent of UAE product lines. This measures are expected to boost the UAE trade with Turkey to $40 billion within the next five years. The full text of the agreement can be found here.

- **Indonesia - UAE CEPA**

  The CEPA between Indonesia and the UAE entered into force on 1 September 2023. The agreement aims to reduce or eliminate customs duties for most of the UAE products lines. This measures are expected to boost the UAE trade with Indonesia to $10 billion within the next five years. The full text of the agreement can be found here. PwC news alert on this CEPA can be found here.

- **Georgia - UAE CEPA**

  The CEPA between Georgia and the UAE was signed on 10 October 2023. The agreement, which is expected in enter into force in the coming months, will reduce the customs duty rates on 90 percent of UAE product lines.

United Arab Emirates

Customs and Trade

EU Carbon Border Adjustment Mechanism

On 1 October 2023, the European Union (EU) Carbon Border Adjustment Mechanism (CBAM) was implemented. CBAM will effectively add a ‘carbon price’ to designated goods that are imported into the EU. This would apply to exports from the Middle East in the following product categories:

- Aluminium
- Iron and steel
- Fertilisers
- Hydrogen
- Electricity
- Cement

CBAM may be extended to other products groups, such as polymers and organic chemicals (2025) and other product groups under the EU Emissions Trading System (EU ETS) (crude petroleum, petroleum products, inorganic chemicals, industrial gases, synthetic rubber, non-ferrous metals, aviation and shipping, etc.).

The **transitional period of CBAM (1 October 2023 - 31 December 2025)** requires EU importers to report quarterly the carbon footprint of imported products. The entity required to import is the **‘authorised declarant’,** i.e. the importer into the EU**. This must be an EU established entity.** If you are a non-EU entity importing via an indirect representative, then your representative may be liable to register and report for CBAM.

The first report is due on **31 January 2024**. During this period, Middle East exporters need to:

- Align with businesses and customers in the EU to ensure they are registered for CBAM.
- Gather the necessary carbon and greenhouse gases (also known as GHGs) information relating to their products.
- Carry out a CBAM impact assessment.
- Preparation of the necessary information and documents to provide to EU importers to report.

The **definitive CBAM reporting period** will commence from **1 January 2026**, which will require the authorised declarant to purchase CBAM certificates which are linked to the carbon cost of their imported goods and must be provided as part of an annual declaration.

02

KSA

Indirect Tax Updates

KSA

Tax Amnesty

Extension in the timelines of tax amnesty until 31 December 2023

ZATCA extends the initiative of exempting or abolishing fines and financial penalties imposed on taxpayers on account of lapse in fulfilling several procedural aspects related to taxes applicable in the Kingdom of Saudi Arabia (KSA).

The types of taxes included in this initiative are:

- Excise Tax,
- Value Added Tax (VAT), including E-Invoicing,
- Real Estate Transaction Tax (RETT),
- Withholding Tax (WHT) and
- Corporate Income Tax (CIT).

The exemption has been extended for an additional period of 7 months, starting from 1 June 2023 until 31 December 2023. It is apt to highlight that the current announcement is an extension of the initiative introduced earlier by ZATCA in June 2022 (with a validity period till 30 November 2022), which was further extended during December 2022 (with a validity period till 31 May 2023).

Further details of the extension in the timelines of tax amnesty are available in PwC's news alert that can be accessed via this link.

KSA

E-invoicing

Seventh wave of E-Invoicing integration phase

ZATCA announced the criteria for the electronic invoicing (e-invoicing) integration phase Wave 7 participants.

As per the announcement, VAT registered taxpayers that have an annual taxable revenue (taxable supplies) exceeding SAR 50 Million during the calendar year 2021 or 2022 are required to integrate their e-invoicing solutions with the FATOORA platform starting from 1 February 2024.

Further details of the Wave 7 are available in PwC’s news alert that can be accessed via this link.

Eighth wave of E-Invoicing integration phase

ZATCA announced the criteria for the e-invoicing integration phase Wave 8 participants.

As per the announcement, VAT-registered taxpayers that have an annual taxable revenue (taxable supplies) exceeding SAR 40 Million during the calendar year 2021 or 2022 are required to integrate their e-invoicing solutions with the FATOORA platform starting from 1 March 2024.

Further details of the Wave 8 are available in PwC’s news alert that can be accessed via this link.

KSA

RETT

Approved Amendments to the RETT Implementing Regulations

The Minister of Finance and Chairman of the Board of Directors of Zakat, Tax and Customs Authority ('ZATCA'), through decision number (1331) dated 07/01/1445 (corresponding to 25 July 2023) has approved amendments/additions to certain provisions of the RETT Implementing Regulations.

The approved amendments/additions have been published in the official Gazette on 11 August 2023 and can be accessed here.

The effective date of the aforesaid amendments/additions is from the date of publication in the official Gazette (i.e. 11 August 2023), as the announcement states.

> *Taxable persons are recommended to review the approved amendments and immediately start assessing the impact of these changes on their business transactions, processes and system.*

Further details of the amendment of the RETT Implementing Regulations are available in PwC's news alert that can be accessed via this link**.**

03

Bahrain

Indirect Tax Updates

Bahrain

Value Added Tax

NBR issued a 'VAT Deregistration Manual'

On 30 August 2023, the National Bureau for Revenue ('NBR') in Bahrain issued a 'VAT Deregistration manual' on their website.

The manual aims to provide taxpayers with the necessary guidance for the deregistration procedures and an overview of voluntary and mandatory deregistration requirements.

The 'VAT Deregistration Manual' is available in English and can be accessed here.

Excise Tax

NBR issued an Excise Guide

On 17 August 2023, the NBR issued an Excise Guide which provides an overview of the Excise rules and procedures in the Kingdom of Bahrain and how to comply with them, together with the necessary background and guidance to help with determining how an activity is treated for Excise purposes.

The 'Excise Guide' is available in English and can be accessed here.

The takeaway

Taxpayers are now, more than ever, required to keep up with the pace of indirect tax changes in the region and stay ahead of the curve.

For a deeper discussion on various aspects listed in the publication that are applicable to your businesses, please get in touch.

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Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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Thank you