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Global
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Tax Insights

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We provide an overview of direct and indirect tax updates across the GCC. For further details or to navigate your tax requirements contact our specialist team.

Saudi Arabia

Value-added tax (VAT)

The Kingdom of Saudi Arabia (KSA or Saudi Arabia) announced a VAT rate increase from 5% to 15% from 1st July 2020.

The tripling of the VAT rate is intended to help KSA mitigate the negative effects of the global COVID-19 crisis and its ramifications of a decrease in consumer and commercial spending, the loss of oil and tax revenues, and the cost of healthcare initiatives put into place in response to the pandemic.

In general, businesses will be charged 15% VAT on supplies of goods and services made on or after 1 July 2020. Supplies made before that date can be charged at 5%. The time that a supply is 'made' for these purposes will depend upon the nature of your business, and whether you are supplying goods or services.

What should businesses do?

Businesses with VAT registration in the Kingdom should be taking steps now to ensure that the transition to the new VAT rate is as smooth as possible, including:

- ensuring that accounting systems can cope -remember that you may be issuing invoices with 15% after 1 July 2020, and with 5% before;
- if you are partly exempt, consider circumstances where you could secure the 5% rate on your purchases -for example bringing forward any large purchases planned beyond the July 2020;
- monitor and identify any risks arising from any specific time of supply or anti-forestalling legislation (transitional rules).

Further measures to support KSA businesses

The government of Saudi Arabia announced measures in March 2020 to support registered taxpayers to manage the submission of VAT returns and related payments which were due within the period from 18 March to 30 June.

The new due date was revised to 3 months from the primary due date (monthly VAT returns due on 31 March now due on 30 June, quarterly VAT returns due on 30 April now due on 31 July). In addition, fines resulting from the delay in submitting VAT returns and its related payments are exempted. However, fines arising from VAT return examinations and assessments prior to the initiative launch date will not be deferred, although fines imposed during the initiative period will be delayed until 30 June.

Profit Shifting minimum standards will help to strengthen the Kingdom's business and investment environment, as the MLI aims to improve dispute resolution procedures, giving the taxpayer greater protection against inconsistent approaches applied by jurisdictions, whilst implementing robust measures to prevent tax avoidance and erosion of tax base.

Amendments to double tax treaties:

On 1 May 2020 the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the Multilateral Instrument or MLI) with the Secretary-General of the Organisation for Economic Co-operation and Development (OECD, entered into force in KSA.

Following this effect, 14 KSA Double Tax Treaties were modified as of 1 May 2020 in line with the provisions of the MLI. These treaties are with Cyprus, France, India, Ireland, Japan, Luxembourg, Malta, Netherlands, Poland, Russia, Singapore, Sweden, Ukraine, and the United Kingdom.

Custom Duty Rates

An increase in custom duty rates has been announced for an extensive range of goods, including 2,000 tarif lines. The changes take effect from 10 June 2020, with further details of rates disclosed **here.**

United Arab Emirates

Value-added tax (VAT)

The Federal Tax Authority has extended the deadline for VAT returns and payment for the period ending 31 March 2020 to be submitted by 28 May 2020. This deadline does not affect any other tax periods where the deadline for filing tax returns and settling of payable taxes does not fall in April 2020.

Public Clarification on Change in the Permitted Use of a Building

VAT Public Clarification (VATP018) clarifies the VAT treatment of the sale of a building and the subsequent supply thereof by the purchaser and is relevant to any business involved in buying and selling property.

It has been clarified that the VAT treatment of a sale of a building (Standard-rated, Zero-rated or exempt) shall be determined independently on the date of supply and not impacted by the subsequent change in the permitted use of the building.

For example, where a building was sold as a serviced/ hotel apartment and purchaser subsequently changed the permitted use of the building to residential purposes, the preceding sale of serviced apartment will remain subject to 5% VAT whereas the supply of residential building by the purchaser becomes an exempt supply.

VAT refund for foreign businesses.

As per Article 67 of Executive Regulations of UAE VAT Law, foreign businesses are eligible to apply for a VAT refund as long as they meet the relevant criteria as prescribed in the regulation.

The Federal Tax Authority (FTA) of the UAE is currently accepting VAT refund applications from non-UAE resident businesses for the calendar year 2019. They will only accept refund applications until 31 August 2020.

Bahrain

Economic Substance Filing

The Ministry of Industry, Commerce & Tourism (MoICT) has extended the Economic Substance filing deadline for Bahrain based entities, who have a financialt year ending 31 Dec 2019. This will provide much needed relief for businesses who are currently navigating challenges.

Value-added tax (VAT)

The National Bureau for Revenue (NBR) has recently released its oil and gas guidelines, which provides the rules and procedures which apply to the sector across Bahrain. Access to the guide and further details can be found **here**.

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- Zakat and tax delegation
- Tax advisory
- Direct international tax
- Global mobility services
- Indirect tax
- Private client services
- Transfer pricing.

Contact our tax team for further details or to discuss the insights further.

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