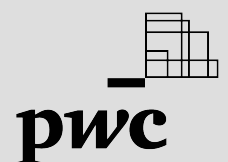


January 2024

# GCC Indirect Tax News Roundup

Quarter Four 2023

PwC Middle East  
Tax & Legal Services





# Boosting Transparency and Fairness: Why a Tax Procedures Law Matters?

Across the GCC, economic diversification efforts are underway, and a reliable keystone is a solid and transparent tax foundation. Leading the way, the UAE established a dedicated tax procedures law in 2017, providing taxpayers with a clear roadmap. The UAE Tax Procedures law has been updated recently in 2022 with changes coming into effect in March 2023 to reflect the developments in the tax system and to align with the Corporate Tax implementation .

Currently, the Kingdom of Saudi Arabia takes an unprecedented step by introducing a proposed, comprehensive Tax Procedures Law (public consultation through the Istilaa Portal concluded on 25 December 2023).

This focus on Tax Procedures Law highlights the GCC's recognition of a win-win for both governments and businesses. Implementing effective tax procedures laws brings a wealth of benefits - including but not limited to:

- **Clarity and certainty:** Taxpayers and authorities gain clear understanding of their rights and obligations, streamlining filing, payment, audits, objections, and appeals.
- **Enhanced efficiency:** Simplifying and standardizing tax processes reduces compliance costs, facilitates dispute resolution, and boosts tax administration effectiveness.
- **Transparency and accountability:** Clear rules for information exchange, confidentiality and anti-corruption measures build trust and accountability.
- **Voluntary compliance:** Fairness, equity, and professionalism foster a culture of voluntary compliance, strengthening the relationship between taxpayers and authorities.

Seeking to establish a strong foundation, the GCC has much to gain from streamlined tax procedures , leading the way with clear and transparent tax landscapes.







# 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

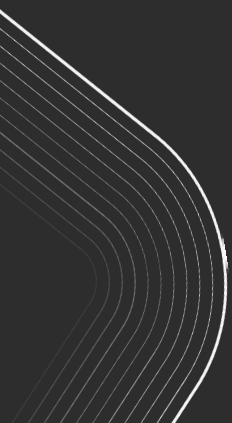
VAT and Excise Tax are not yet introduced in Kuwait.



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# Carbon Border Adjustment Mechanism (CBAM)

## EU CBAM first reporting period started in October 2023 - it's time to act for Middle East producers

The EU Carbon Border Adjustment Mechanism (CBAM) came into effect on 1 October 2023. This applies to imports of the following product groups to the EU from non-EU countries (including the Middle East):

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

1 October 2023 marked the beginning of the CBAM transitional period, which will last until the end of 2025. From 1 January 2026, the 'definitive' period will commence.

During the transitional period, there are requirements for quarterly reporting of embedded greenhouse gas (GHG) emissions of products imported to the EU, with the first reporting to be submitted by 31 January 2024. While the report would be submitted by the importer or indirect customs representative, the data for reporting should be provided by the non-EU producers in a specified form. Penalties are applicable to EU importers and/or indirect representatives for non-compliance.

Key considerations for Middle East producers and manufacturers who supply the EU market include:

- Confirming with EU customers and/or indirect representatives (if you are the importer into the EU) that they are prepared for CBAM reporting requirements.
- Preparing your emissions data and ensuring that the methodology is aligned with CBAM requirements.
- Reviewing any contractual agreements to ensure that CBAM obligations are correctly managed with customers, representatives and/or third parties.

For further information, please refer to a more detailed news alert [here](#).



A background image of a Dubai skyline with various skyscrapers, a sandy beach, and turquoise water. A small boat is visible in the water. The sky is clear blue.

# 01

## UAE

### Indirect Tax Updates





# United Arab Emirates

## Value Added Tax



### Criteria to be followed in the determination of parts and pieces of Electronic Devices

The Federal Tax Authority (FTA) issued a public clarification (VATP0035 dated 02 December 2023) to provide more clarity on the criteria of determining of parts and pieces of Electronic Devices that were set out in the Ministerial Decision No.262 of 2023 in relation to the introduction of a special reverse charge mechanism for the supply of electronic devices.

The Public Clarification addressed the three criteria specified in the said ministerial decision and expanded on explaining each criteria as follows:

- *Normally used in the manufacturing or production and necessary for the normal operation* - Criterion one applies to essential manufacturing components for mobile phones, smartphones, computers, and tablets. This includes items like coils, capacitors, and microchips. It also extends to features in smartwatches, like accelerometers and processors, linked to smartphones or operating independently on cellular networks.
- *Pieces and Parts that are not normally used for the manufacturing or production of Electronic Devices, but are normally necessary for the normal operation of Electronic Devices* - Criterion two pertains to components not typically used in the manufacturing of electronic devices but are essential for their regular operation.
- *Pieces and parts that meet the third criterion are those pieces and parts that are a replacement for any of the goods that meet either of the first two Criteria* - Criterion three refers to replacement pieces and parts, which are substitutes for components meeting the first two criteria. For instance, components like coils, capacitors, couplers, diodes, regulators, resistors, transistors, and microchips in smartphones, mobile phones, and tablets fulfill the first criterion.

For further details on the public clarification please follow the [link](#).





# United Arab Emirates

## Excise Tax



### Amendment of the Excise Tax Executive Regulation

Cabinet Decision No. 108 of 2023 was published in the official gazette issue No. 763 dated 15 November 2023 to amend some provisions of the Cabinet Decision No. 37 of 2017 (The Executive Regulation of the Excise Tax) effective starting 1 December 2023 except for clauses 3 and 4 of article 22 in relation to refund requests in special cases.

Non exhaustive list of key amendments is as follows:

- Introducing the definition of new terms which are “official evidence”, “commercial evidence”, and “shipping certificate”.
- Introducing rights for the tax authority to forcefully deregister an Excise Tax taxable person in specified cases.
- Excise Tax Designated Zones that fail to continue to comply with the conditions and requirements will be treated as normal lands forming part of the UAE mainland.
- Non taxable Persons who are exporting Excise Goods (direct and indirect export) may request a refund of the previously paid Excise Tax on such goods subject to compliance with the conditions and evidentiary requirements (effective from 1 June 2024).

Further details of the Cabinet Decision can be viewed through this [link](#).





# United Arab Emirates

## Tax Agents



### Professional Development Requirements for Natural Person Tax Agents

The FTA issued Decision No. 15 of 2023 on 13 December 2023 (Effective 1 January 2024) to set out the professional development requirements for qualified natural person Tax Agents.

Based on the decision, Tax Agents listed in the Authority's Register for corporate or indirect taxes must:

- Undergo a minimum of 20 hours of structured continuous professional development annually, focusing on technical tax programs.
- Complete a minimum of 30 hours of structured continuous professional development annually. This should include a minimum of 15 hours each dedicated to corporate tax and indirect taxes.
- Fulfill the above specified hours in the following year, in case of failing to complete them in a given year, in addition to any remaining hours from the previous year.
- Maintain records documenting completed hours for both structured and unstructured professional development, using the form provided by FTA.
- Keep evidence of attended structured continuous professional development and undertaken unstructured continuous professional development, which must be provided to the Authority upon request.

From its side, the Authority will provide guidance on the types of programmes that may be considered structured or unstructured continuous professional development, as well as a list of accredited courses that fall under structured continuous professional development and accredited course providers who can offer such courses.

Further information can be found through the following [link](#).



02

Saudi Arabia

Indirect Tax Updates







# Saudi Arabia

## New Tax Legislations



### **Proposed new Tax Law and new Zakat and Tax Procedures Law**

A strong and unprecedented step along the path of reforming and developing the tax system and landscape has been launched by the Zakat, Tax and Customs Authority “ZATCA” on 25 October 2023.

ZATCA introduced a proposed almost brand new comprehensive Tax Law and Zakat & Tax Procedures Law for public consultation through the Istitlaa Portal for 60 days ended on 25 December 2023.

The objective of the proposed legislation is to develop and update the current tax law to be in line with the international best practices, considering good practices in the pioneering G20 countries as well as the other pioneering countries.

Also, the proposed new tax law has been introduced to be consistent with the Kingdom’s vision and goals of encouraging foreign investment as well as domestic economic growth, in addition to supporting tax compliance and transparency and being compatible with the direction of international cooperation organizations in order reflect the Kingdom’s pioneering role in the international tax cooperation.

As a new tax law is proposed, a through read and detailed analysis has to be carried out to assess the potential tax and compliance implications on the overall business environment.

Further details of the new proposed tax laws in KSA are available in PwC’s news alert that can be accessed via this [link](#).



# Saudi Arabia

## Tax Amnesty Extension

### Tax amnesty extension until 30 June 2024

With reference to the Ministerial Resolution No. 799 dated 1445-06-07 corresponding to 20 December 2023, ZATCA has extended till 30 June 2024 the fines and financial penalties waiver initiative and made this available for taxpayers who wish to submit a voluntary disclosure through their returns and pay the taxes due.

The types of taxes included in this initiative are Excise Tax, Value-Added Tax, Real Estate Transaction Tax, Withholding Tax and Corporate Income tax.

The exemption has been extended for an additional 6 months period, starting from 1 January 2024 until 30 June 2024. This is an extension of the tax amnesty introduced on 1 June 2022 and covers tax obligations required to be fulfilled before the effective date of the initiative's extension.

The extension, published in the official Gazette on 29 December 2023 can be accessed [here](#).

Further details are available in PwC's news alert that can be accessed via this [link](#).





# Saudi Arabia

## RETT



### Proposed amendment to RETT Regulations

ZATCA has published a proposed amendment to the various provisions of the Implementing Regulations of the Real Estate Transaction Tax ('RETT').

The [proposed amendments](#) have been published on the Public Consultation Platform of the National Competitiveness Center on 5 December 2023.

The deadline for sharing feedback and expressing opinion from interested stakeholders and taxpayers was 20 December 2023.

## E-invoicing



### Ninth wave of e-invoicing integration phase

ZATCA announced the criteria for the electronic invoicing (e-invoicing) integration phase Wave 9 participants.

As per the announcement, VAT registered taxpayers that have an annual taxable revenue (taxable supplies) exceeding SAR 30 Million during the calendar year 2021 or 2022 are required to integrate their e-invoicing solutions with the FATOORA platform starting from 1 June 2024.

Further details of the Wave 9 are available in the official announcement that can be accessed via this [link](#).



# Saudi Arabia

## Customs and Trade

### **General guide on the Zakat, Tax and Customs provisions for the Special Integrated Logistics Zone at King Khalid International Airport.**

On 10 December 2023, ZATCA published a General Guideline for Zakat, Tax and Customs Provisions applicable to the Special Integrated Logistics Zone at King Khalid International Airport.

The guide provides the necessary clarifications and guidance for persons who are conducting economic activities in the Special Integrated Logistics Zone at King Khalid International Airport. It also provides details and controls of Zakat, Tax and Customs treatment in accordance with the tax and customs laws and regulations in force in the Special Integrated Logistics Zone at King Khalid International Airport.

For more details, you can access the Arabic version of the guide [here](#).

### **Rules Governing Customs Procedures**

On 29 December 2023, ZATCA issued Administrative Resolution No. 28624 to clarify the customs procedures relating to the import and export of the goods.

For more details, you can access the Arabic version of the Resolution [here](#).





03

Oman

Indirect Tax Updates





# Oman

## Tax Exemptions



### **Regulating the governance of tax exemptions and launch of a new service on the e-portal of the OTA**

On 9 November 2023, His Majesty Haitham bin Tariq issued Royal Decree No. 80/2023 to regulate the tax exemption and clearly delineate the responsibilities for granting such exemptions.

The responsibility for overseeing tax exemptions has been shifted from the Head of the Tax Authority to the Minister of Finance in all instances specified in laws and royal decrees, encompassing:

- The Financial Law issued by Royal Decree No. 98/47
- Income Tax Law issued by Royal Decree No. 28/2009
- The Excise Tax Law issued by Royal Decree No. 23/2019
- Value Added Tax Law issued by Royal Decree No. 121/2020
- Tax Authority System and Approval of its Regulatory Structure issued by Royal Decree No. 42/2020

The responsibility for customs duties exemption in Oman remains with the Royal Oman Police, as it was not initially under the jurisdiction of the Tax Authority.

Due to the aforementioned changes, there is an expectation for substantial revisions to Oman's legislation and regulations.

### **Recent addition to the OTA E-portal services**

For the purpose of saving time and managing the tax matters more efficiently, the Oman Tax Authority (OTA) has released an announcement regarding the introduction of a new service on the e-portal allowing for the booking of appointments with OTA representatives.

Further details of the above changes are available in PwC's news alert that can be accessed via this [Link](#).





# Oman

## VAT Executive Regulation



### Amendment to Oman VAT Executive Regulation

The OTA has amended the VAT Executive Regulation to allow refunds of VAT in certain additional instances. These amendments are summarised below.

- *Refund of VAT paid by charitable organisations on its procurements:*

Charitable organizations in Oman can apply for a VAT refund on goods and services related to their activities. The refund process, initiated through a quarterly application to the OTA, requires supporting documents, including tax invoices and proof of deduction from the organization's bank account, for amounts exceeding OMR 15.

- *Refund of VAT paid on import from a non-taxable person in excess of the tax actually due on the import:*

Taxable individuals in Oman can apply for a VAT refund on imports from non-taxable entities, provided the refund exceeds OMR 15. The application, submitted quarterly to the OTA, requires evidence of Customs declaration amendment and recovery of overpaid Customs Duty. This is particularly helpful in cases of unclear or incorrectly applied values.

- *Refund of VAT paid on imported goods upon re-export:*

A taxable person can apply for a refund in a case where VAT has been paid on import of goods and subsequently are re-exported in accordance with the conditions and controls stipulated in the Common Customs Law, in which case the customs duty is refunded if collected. The taxable person can file a quarterly refund application to the OTA in the specified form, provided that the amount of VAT refund exceeds OMR 15. The refund application should also include the evidence of tax payment and a statement of re-export and customs duty recovery, if collected.

Further details of the amendment of the VAT Executive Regulation are available in PwC's news alert that can be accessed via this [link](#).

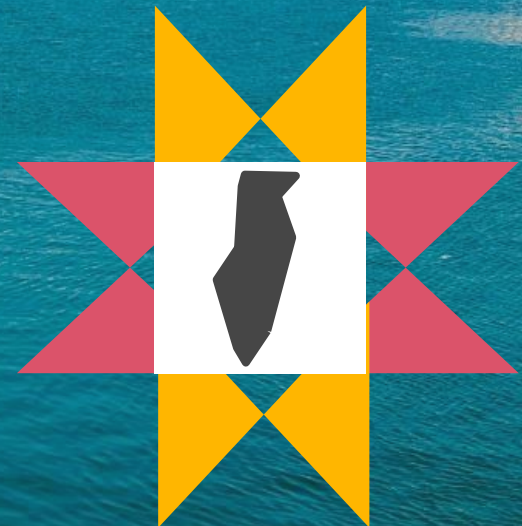




# 04

## Bahrain

### Indirect Tax Updates





# Bahrain

## Value Added Tax



### Updated version of the 'VAT General Guide'

On 16 November 2023, the National Bureau for Revenue ("NBR") in Bahrain updated the VAT invoices principles in the VAT invoices section of the VAT General Guide.

The update states that registered taxpayers who meet the requirements set out in Articles 52, 53 and 54 of the VAT Executive Regulations and whose computer systems are capable of accounting for VAT on their supplies will be eligible to issue electronic documents without obtaining prior approval from the NBR.

The updated 'VAT General Guide' is available in English and can be accessed [here](#).



# Bahrain

## Excise Tax



### Updated Digital Stamps Scheme Manual

On 23 November 2023, the NBR updated the “Digital Stamps Scheme Manual for Importers and Local Manufacturers” on their website.

The update includes a new section for specific cases in which digital stamps are considered as errors, cancelled and deactivated in accordance with Decision No. (1) for the year 2022 under Article No. (7) regarding digital stamps for excise products.

The updated ‘Digital Stamps Scheme Manual’ is available in English and can be accessed [here](#).

### Final implementation phase of Digital Stamps Scheme

The NBR announced on its website that the final phase of implementing the digital scheme for some excise goods of tobacco products will be enforced as of 24 December 2023.

Consequently, all products available for possession, trade, supply, or sale in local markets are required to possess valid and activated digital stamps. Such items include electronically heated tobacco products (EHTP), jirak and chopped or pressed tobacco for pipes, dokha and cigarettes.

Further details of the final phase of the digital stamps scheme are available in the NBR official announcement that can be accessed via this [link](#).



# 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.

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

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