كليـة الدراســـات المصرفيـة والماليـة
College of Banking and Financial Studies

MUSCAT CHAPTER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(UNDER THE SPONSORSHIP OF CBFS)

ICAI MUSCAT NEWSLETTER

FOURTH QUARTER OF 2022

www.icaimuscat.org

Chairman's Message

Dear Professional Colleagues,

I, join the seasons celebration of one year of progress and growth of our maturity, wisdom and prosperity. Wishing you "Happy New Year 2023" with immense prosperity, peace and good health.

We communicate through this medium which is created and connected through our prestigious profession. The profession has created abandoned opportunity, wide opened for our professional and sociallifestatus.Weknowthestrengthisalwaysstaying together and not standing alone. I wish everyone to work for the Chapter through active participation and connecting more new members to the Chapter.

The Chapter wish to continue and strengthen quarterly newsletter medium with the articles and contents from the members. The Managing Committee request all the members to come forward and use this platform to share your knowledge, ideas and experiences.

The Managing Committee is committed to do the best to take the Chapter to new heights, for which request your strong support in all possible means.

Wish you all once again "Happy New Year 2023". I extend well wishes on behalf of the entire Managing Committee and the Subcommittee of ICAI-MC to all the stakeholders and their families as we enter into the new year. Let us celebrate this moment with joy, success and positivity.

Best Wishes,

CA Sajeev Surendran
Chairman

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Neutrality of Value Added Taxes in the context of cross-border trade

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Over the years, internet has expanded in use, size, reach and impact. Covid-19 and the lockdown period led to revolution in the advancement and use of world wide web. A point has reached where we cannot imagine doing business without internet. International trade in goods and services has also expanded rapidly in an increasingly digitalised and globalised economy. When we talk about trade, the most popular form of tax is the VAT/ GST which has been widely adopted by governments across the world. Furthermore, when it comes to international trade of goods and services, harmonization and neutrality of such indirect tax systems becomes the key area of concern for jurisdictions.

To deal with the VAT/GST challenges related to cross-border trade, Organisation for Economic Co-operation and Development (OECD) through its Committee on Fiscal Affairs (CFA) launched the project to develop the International VAT/GST Guidelines in 2006, recognising that jurisdictions would benefit from an internationally agreed standard that contributes towards ensuring that VAT systems interact consistently so that they facilitate rather than distort international trade. The Guidelines were published in 2017 and aims to set forth a number of principles for the VAT treatment of the most common types of international transactions, focusing on trade in services and intangibles, with the aim of reducing the uncertainty and risks of double taxation and unintended non-taxation that result from inconsistencies in the application of VAT in a cross-border context.

VAT is a levy on final consumption coupled with its central design feature of a staged collection mechanism. In international application of the VAT, the main question is whether the levy should be imposed by the jurisdiction of origin or destination. Under the destination principle, tax is ultimately levied only on the final consumption that occurs within the taxing jurisdiction. Under the origin principle, the tax is levied in the various jurisdictions where the value was added. The key economic difference between the two principles is that the destination principle places all firms competing in a given jurisdiction on an even footing whereas the origin principle places consumers in different jurisdictions on an even footing. Looking at the international perspective, the destination principle in VAT regime achieves neutrality. That is why, exports are not subject to tax with refund of input taxes (that is, "free of VAT" or "zero-rated") and imports are taxed on the same basis and at the same rates as domestic supplies. The same fundamental has been adopted in the GCC VAT Framework agreement. However, it is not easy to achieve this neutrality in cross-border trade and the question is whether there are any additional considerations that need to be taken into account by jurisdictions.

As we move ahead with more international business, Sultanate of Oman is witnessing challenging situations to deal with, where the foreign businesses should not be disadvantaged or advantaged compared to domestic businesses from VAT perspective. As the foreign business are not eligible to register for VAT in Oman, it is important to ensure that they do not incur irrecoverable VAT. The OCED Guideline suggests several approaches which jurisdictions may adopt to achieve neutrality, like;

- the operation of a system of applying for direct refunds of local VAT incurred
- making supplies free of VAT
- enabling refunds through local VAT registration
- shifting the responsibility on to locally registered suppliers/ customers, and
- granting purchase exemption certificates.

Jurisdictions may adopt one approach or use a combination of different approaches to achieve the purpose. Adoption of these approaches come with administrative and compliance cost while implementing the VAT systems. Whatever form of VAT refund or relief mechanism is adopted it is important that the such mechanisms should not create a disproportionate or inappropriate compliance burden for the businesses. The VAT Law in Oman has adopted the approach of enabling refunds through local VAT registration for a foreign business. However, this approach is being refrained by many foreign suppliers and they prefer direct refund mechanism. Probably, the Tax Authority has to reconsider and adopt other approaches as well to attain VAT neutrality into the system.

Understanding Economic offences, Corruption, Money- laundering: An International Perspective

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Ranks ALL INDIA 1st in Inter CA; 6th in CA Final; 3rd in CMA Final, 5th in Mumbai University +++

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Economic offences, Corruption, Money-Laundering

Introduction

Today's world is full of offences, corruption and money laundering is increasing day by day. In such circumstances, we must take steps to tackle such issues. It is like disease for a nation. So, in order to cure any disease, we must first understand or diagnose the disease. How it is occurring? what actually it is? Etc. etc. In this article we have discussed in detail the whole scenario of economic offences, money laundering and corruption.

Economic offences not only inflict pecuniary losses on individuals but also damage the national economy and have security implications as well. In general offences means a breach of law or rule. In Layman language, it can be defined as a breach of law or an illegal act.

Socio- economic offences- Those offences that have an impact on the social and economic well-being of society. It includes the trial and punishment of Social and Economic offences.

Economic offences are those offences which are committed during the course of economic or business activity.
It includes

1. Corruption
2. corporate fraud
3. money-laundering
4. public fraud,
5. tax evasion,
6. goods smuggling,
7. stock manipulation,
8. currencies forgery,
9. credit card fraud,
10. environmental crime,
11. intellectual property infringement
12. Cyber crime

Corruption

As per the dictionary meaning Corruption includes dishonest or illegal behaviour involving a person in a position of power, for example, accepting money for doing something illegal or immoral.

Corporate fraud

Corporate fraud consists of illegal or unethical and deceptive actions committed either by a company or an individual acting in their capacity as an employee of the company.

The Fraud Triangle by Donald R. Cressey

Money Laundering

Money Laundering occurs when any person who knew or should have known or suspected that funds are the proceeds of a crime, intentionally commits any of the following acts, regardless whether he committed the predicate offence or not:

- Converts or transfers such funds3 with the purpose of disguising or concealing the illegal nature or source of such proceeds or of assisting any person who committed the predicate offense to evade punishment for their acts;
- Disguises or conceals the true nature, source, location, method of disposal, movement, or ownership of the funds; and
- Acquires, possesses or uses such funds upon receipt.

International scenario

A. FATF- The Financial Action Task Force-https://www.fatf-gafi.org/

It was founded in 1989 to develop policies to combat money laundering. It is an intergovernmental organization. It headquarters is in France, Paris.

Its purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing.

The FATF has developed the FATF Recommendations, or FATF Standards, which ensure a coordinated global response to prevent organised crime, corruption and terrorism.

FATF recommendations published in 2012 and include-

- identify the risks, and develop policies and domestic coordination;
- pursue money laundering, terrorist financing and the financing of proliferation;
- apply preventive measures for the financial sector and other designated sectors;
- establish powers and responsibilities for the competent authorities (e.g., investigative, law enforcement and supervisory authorities) and other institutional measures;
- enhance the transparency and availability of beneficial ownership information of legal persons and arrangements; and facilitate international cooperation.

Originally, the FATF made its first recommendations in the Year 1990 which contains 40 recommendations. It was then revised in 1996. In October 2001 the FATF expanded its mandate to deal with the issue of the funding of terrorist acts and terrorist organisations, and took the important step of creating the Eight (later expanded to Nine) Special Recommendations on Terrorist Financing. The FATF Recommendations were revised a second time in 2003.

FATF recommendations are divided into 7 Sections and Imperative notes to recommendations-

M. AML/CFT Policies and Coordination- Recommendations 1 & 2
N. Money Laundering and Confiscation- Recommendations 3 & 4
O. Terrorist Financing and Financing of Proliferation- Recommendations 5 to 8
P. Preventive Measures- Recommendations 9 to 23
Q. Transparency And Beneficial Ownership of Legal Persons and Arrangements – Recommendations 24 & 25
R. Powers And Responsibilities of Competent Authorities, and Other Institutional Measures- Recommendations 26 to 35
S. International Cooperation- Recommendations 36 to 40

The 40 Recommendations provide a complete set of counter-measures against money laundering covering the criminal justice system and law enforcement, the financial system and its regulation, and international co-operation.

FATF Report on Money Laundering from Environmental Crime, July 2021

Environmental crime is estimated to be among the most profitable proceeds-generating crimes in the world, generating around USD 110 to 281 billion in criminal gains each year.

These includes areas such as-
forestry crime
illegal mining
waste trafficking

B. International Monetary Fund- IMF- https://www.imf.org/en/

It was established in 1944. The International Monetary Fund (IMF) works to achieve sustainable growth and prosperity for all of its 190 member countries. The IMF has three missions:

- furthering international monetary cooperation,
- encouraging the expansion of trade and economic growth, and discouraging policies that would harm prosperity.

C. Financial Crimes Enforcement Network (FinCEN)

It was established on April 25, 1990. FinCEN is a bureau of the U.S. Department of the Treasury. Its mission is to safeguard the financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

FinCEN:

- Issues and interprets regulations authorized by statute;
- Supports and enforces compliance with those regulations;
- Supports, coordinates, and analyzes data regarding compliance examination functions delegated to other Federal regulators;
- Manages the collection, processing, storage, dissemination, and protection of data filed under FinCEN's reporting requirements;
- Maintains a government-wide access service to FinCEN's data, and networks users with overlapping interests;
- Supports law enforcement investigations and prosecutions;
- Synthesizes data to recommend internal and external allocation of resources to areas of greatest financial crime risk;
- Shares information and coordinates with foreign financial intelligence unit (FIU) counterparts on AML/CFT efforts; and
- Conducts analysis to support policymakers; law enforcement, regulatory, and intelligence agencies; FIUs; and the financial industry.

D. The 1998 United Nations Convention against illicit traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention of 1998), provided a comprehensive legal definition of money laundering.

This definition has formed the basis of subsequent legislations on Money Laundering Laws of various countries The Basle statement of principles, enunciated in 1989, outlined basic policies and procedures that banks should follow in order to assist the law enforcement agencies in tackling the problem of money laundering

E. INTERPOL- International Criminal Police Organization

It is an inter-governmental organization having 195 member countries.

Money laundering

Money laundering is the process of hiding the illegal source of income through legal means.

The word launder means to wash or clean. Here money laundering means conceal the origins of (money obtained illegally), typically by transfers involving foreign banks or legitimate businesses.

Here, two important things to be noted-
(a) involvement in any process or activity connected with the proceeds of crime; and
(b) projecting it as untainted property

Money Laundering includes-
1. Drug trafficking- Drug trafficking is a global illicit trade involving the cultivation, manufacture, distribution and sale of substances which are subject to drug prohibition laws.
2. Embezzlement- The stealing of money entrusted to one's care.
3. Illegal arms sales- It occurs when an ineligible buyer of weapons uses another person to purchase arm.
4. Insider trading- It is the trading of a public company's stock or other securities-based data, or to on material, nonpublic information about the company.
5. Bribery- The act of offering, giving, or receiving something of value to influence a certain action or decision.
6. Computer fraud- It is a cybercrime and the act of using a computer to take or alter electronic gain unlawful use of a computer or system.

Terrorist financing

Terrorist financing involves dealing with money or property that may be used for financing terrorist activities. The funds and property may be from either legitimate or criminal sources.
It basically involves the funds to support terrorist activities or organisations involved in terrorist activities.

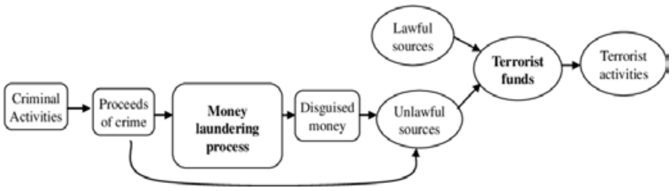
Features of these offences

1. Motive- It includes the motives of the criminal behind such activities or crimes.
2. Background of the crime
3. Mode of operation of the offender is fraud, not force.
4. Usually, the act is deliberate and willful.
5. Interest protected is two-fold:

(a) Social interest in the preservation of:
(i) the property or wealth or health of its individual members, and national resources, and
ii) the general economic system as a whole, from
(i) exploitation, or
(ii) waste by individuals or groups.
(b) Social interest in the augmentation of the wealth of the country by enforcing the laws relating to taxes and duties, foreign exchange, foreign commerce, industries and the like.

Process of Money Laundering

Money laundering is the process of concealing the illicit origin of proceeds of crimes. Terrorist financing is the collection or the provision of funds for terrorist purposes.



Stages of Money Laundering

Placement – In the placement stage, the launderer introduces his illegal profits into the financial system. This might be done by breaking up large amounts of cash into less conspicuous smaller sums that are then deposited directly into a bank account, or by purchasing a series of monetary instruments (cheques, money orders, etc.) that are then collected and deposited into accounts at another location.

Layering – In this stage, the launderer engages in a series of conversions or movements of the funds to distance them from their source. This is done by purchasing and selling of investment instruments.

Integration- The launderer might choose to invest the funds into real estate, luxury assets, or business ventures. Like purchase of Gold etc.

Money Laundering in Banking

Money launderers deposit cash in small increments or steal money into foreign countries to avoid suspicion. Multiple transactions have been taking place. Through these multiple transactions, the illegal money appears clean and is integrated into the financial system.

Anti-Money Laundering

It is of rules, regulations, laws and procedures that detect and prevent criminals from disguising illegal funds as legitimate income.

Measures taken to combat Money Laundering

Anti-money laundering compliance program:

- Know Your Customer (KYC)
- Customer due diligence (CDD)
- Customer and transaction screening
- Suspicious activity reporting

Professional Opportunities

1. Filing of cases
2. Appearance before regulators in respective countries
3. Filing monthly compliances
4. Filing of appeals to appellate tribunals.
5. Reporting entities
6. Maintenance of records;
7. Furnish information pertaining to such records
8. Carry out due diligence
9. Impart Training of staff
10. System standardization
11. Anti-fraud measures
12. Consultancy
13. Advisor to regulators, ministries
14. Filing of forms
15. Anti- money laundering laws
16. Management of confiscated property
17. AML software company
18. AML software consultancy
19. Reporting of suspicious transaction
20. Maintenance of records of transactions
21. Verification of the records of the identity of clients

Anti-Money Laundering Software

AML software includes-

A. Customer Onboarding: Electronic verification enables checking a customer's profile with various databases to provide a confirmation of the ID.
B. Transaction Monitoring: It identifies suspicious transaction and files Suspicious Activity Reports (SARs) or Suspicious Transaction Reports (SRTs)
C. Currency Transaction Reporting: It detect transactions that involve large amounts of money or numerous small transactions that add up to a massive amount of money.
D. Compliance: Anti-money laundering software utilizes crucial data and insights from multiple sources that are used to regulate and record financial transactions.

TallyPrime's Edit Log - An Essential Tool To Keep Track Of All Financial Activities

For any business, having visibility into their account is a key factor in ensuring seamless operations. An audit entails searching through numerous documents to find every modification that has been made, then compiling a thorough report of these changes to present during an audit.

Edit log helps in enhancing some of the most crucial elements that ensure the smooth operation of your company, including enhanced security, stress-free auditing, and much more. Essentially, it helps you track every action taken by a user within an organization basis the records of the changes made to a transaction.

The unique Edit Log feature of TallyPrime is a highly useful tool for auditing since it keeps track of every modification made to the data in a very detailed way, enabling auditors to view the changes made by any user as well as the precise timing when such changes were made.

The edit log function in TallyPrime enables you to keep track of the dates and times of each update, as well as edit logs for each transaction. Additionally, you can track deleted transactions and find out who made the modification. In addition to transactions, you may keep track of changes to stock item masters, accounting groups, and ledgers.

Benefits of Using Edit Log

Here are some of the key benefits of having an edit log feature:

Track all actions taken in a financial transaction

An edit log helps you keep track of all actions taken by a user and records any changes made to a transaction. You can easily restrict access to sensitive information to only authorized personnel using accounting software with user control features.

Helps prevent fraud

With an edit log feature, it is much simpler to spot variability that isn't consistent and prevent fraud. Additionally, any external intervention and breaches can be identified more quickly. Additionally, the edit log feature assures that all financial events, such as purchases, sales, and expenses, are recorded, which aids in tracking unusual system flaws

Ensures seamless audits

Edit log helps maintain proper records and ensures seamless operations. This not only helps improve transparency but also enables easier access to information, thereby improving efficiency. It helps enhance security and provides protection for the business against fraud. Additionally, during any legal situation, the edit log feature will be used as evidence to track activities or modifications done in a transaction.

Better control of transactions

Recording very change to a transaction can help find information that might otherwise be lost. With edit log, any transaction-related data can be uncovered, errors can be identified, and corrective actions can be taken to mitigate the situation. Additionally, an audit trial encourages compliance, facilitates effective risk management, and even aids budget planning through improved record analysis.

Tally Prime's Edit log feature

TallyPrime's edit log feature captures all actions pertaining to records – creating, editing, deleting, thereby helping auditors trace all activities related to the transaction in question. It even tracks and timestamps all activities for transaction recorded in TallyPrime. Here are the key features of edit log in TallyPrime

- Edit log for transactions and masters: The newly introduced edit log feature keeps account of all transactions entered in TallyPrime, including those that are created, altered, and deleted.
- Get insights on all changes made in a transaction: The edit log function in TallyPrime has the capacity to record user information from creation through deletion, capturing all modifications precisely along with the date information.
- Compare and analyze version difference: Edit log provides the key details that aid in constructing the entire picture and, therefore, helps analyze the consequence of the changes or alterations. TallyPrime's edit log feature helps you compare the previous versions and get a clearer understanding of what elements were modified.
- Insightful reports to filter the edited or deleted transactions: All reports, including daybooks, voucher registers, etc., have been improved with a simple filtering and sorting option for the altered and deleted transactions seamlessly.

The Bottomline:
Several benefits, including compliance and fraud prevention, accompany a well-maintained edit log. It verifies and validates financial transactions by providing in-depth insights into every single modification that was made, along with user details and timestamps, thereby preventing fraud effectively.

VALUE ADDED TAX

CA Deepak Yadav

VAT LEARNING CURVE

With the implementation of VAT, tax regime in Oman has taken a paradigm shift in overall tax obligation and compliance requirement by business in Oman. It has been more than a year since VAT has been implemented and over the period of 1 year there has been a series of clarification and guidance issued by Oman Tax Authorities ('OTA') focusing on issues specific to industries. As the taxpayers continue to learn from their experience, guidance provided by OTA are helping VAT law to steadily settle over the period of time.

VAT ASSESSMENT

OTA has started issuing notices to taxpayer in Oman, requesting detailed transaction level sales and purchases data of the return filed by the taxpayers. In our experience of VAT assessment, OTA is requesting filled 'Taxpayer Checklist' along with top 7 sales and purchase invoice for review. Subsequently, OTA may request for impact study report, reconciliation with Financials and other relevant document for concluding the assessment. Taxpayers should prepare themselves for the notices and may again re-look at the past return filed to ensure correct VAT treatment applied. Wherever necessary, possibility of revising the VAT return can be explored.

E-INVOICING

In an effort to streamline VAT compliance requirement and minimizing tax leakages, OTA is planning to introduce e-invoice in the Sultanate. Recently, OTA in Oman issued 'RFP (Request for Proposal)' thereby requesting stakeholders to submit their bid to implement e-invoicing in Oman. As KSA is the only GCC state to implement e-invoicing, Oman is leaning towards implementing e-invoicing as it is proven to be an effective tool to curb tax evasion and fraudulent input tax credit.

What is e-invoicing?

- E-INVOICE is not about issuing invoice in soft copy like pdf etc. In fact, e-invoice means issuance and reporting of invoices through an authorized e-invoicing portal. It is an electronic exchange of invoice information between supplier and customer.
- E-invoicing is the most effective compliance strategy implemented by many countries across the world for transparency and ease of compliance. Overall objective of implementing e-invoicing may differ from country to country, however the primary objectives could be as follows:
    - Ease of compliance to businesses;
    - Ease administering VAT from regulators perspective in routine compliance and more importantly, automating tasks of the tax inspectors in charge of audit / assessments;
    - Standardized data points amongst taxpayers and tax authority;
    - Transparency;
    - Eliminating fake invoicing / frauds to recover illegitimate input tax credit;
    - Data intelligence lead insight that other departments such as income tax can benefit from for enhanced tax collection and prevention of tax leaks;
    - Determining creditworthiness of a tax payer;
    - When tax collections improve via compliance, people benefit from tax rates not being increased.

When will e-invoicing be implemented?

- While there has been no official announcement of implementing e-invoicing in Oman by the Oman Tax Authorities ('OTA'), OTA has recently floated RFP inviting bidders to share their proposal for design and implementation of e-invoicing
- As per RFP, e-invoicing is expected to be implemented as follows:

1. Pilot process for targeted VAT taxpayers from October 2023;
2. voluntary e-invoicing for all VAT taxpayers from April 2024; and
3. introduction of mandatory e-invoicing to the targeted VAT taxpayer population, after six months of voluntary introduction.

How e-invoice is going to affect taxpayers in Oman?

Based on our experience of e-invoicing in other jurisdiction, e-invoicing implementation is going to have impact on day to day business operation of taxpayers. Typically, e-invoicing involves issuance of invoice through a centralized e-invoicing platform authorized by Tax Authority. This means, taxpayers are required to re-look at its information technology environment identify the gaps and integrate the same with centralized e-invoicing platform.

CORPORATE TAX – UAE

OVERVIEW OF UAE CORPORATE TAX

Pursuant to UAE's Ministry of Finance announcement in early 2022 to introduce corporate tax, Federal Tax Authority in UAE has issued Federal Decree Law No. – 47 of 2022 dated 03 October 2022, outlining detailed provision related to implementation of Corporate tax in UAE. Corporate tax rate in UAE shall be 0 per cent on the portion of taxable income upto 375,000 AED and 9 per cent on the portion of taxable income exceeding 375000 AED. Specific exemption from corporate tax on licensed activity has been provided to entities located in Free Zone subject to fulfillment of conditions as prescribed in the Law. Free Zone entities are required to evaluate and identify if they are subject to corporate tax in UAE, if yes, up to what extent.

IMPACT OF UAE CORPORATE TAX ON OMANI BUSINESSES

It is very common in today's world where globalization is at its peak, to have operations across multiple jurisdictions. While having operations across multiple jurisdictions accelerates economic growth, it also posts challenges for the Company due to change in fiscal law of respective jurisdiction. With the onset of Corporate tax in UAE and brick-wall provisions related 'Permanent Establishment' it is very much likely that Omani businesses may have to re-look at its business model at which they are currently operating in UAE. As it is very common for Omani Companies to have branch/ subsidiary in UAE or vise or versa, it is of utmost importance to address following issues out of others:

1. Accounting and recording of income and expense of the branch/ subsidiary in respective jurisdiction;
2. Giving tax effect on the income and expense of the branch/ subsidiary in respective jurisdiction;
3. In case tax is paid in other jurisdiction which is also reported as income in resident country, claiming foreign tax credit in resident country needs to be analyzed etc.
4. Evaluating 'Place of effective management' provision as per UAE Corporate Tax Law to determine if Permanent Establishment is created in UAE;
5. Claiming benefit of Omani WHT as set-off against UAE CT liability, if any irrespective of DTA;
6. Transfer pricing aspects;

OTHER TAX UPDATES

- The Sultanate of Oman and The State of Qatar had signed the Double Tax Treaty (DTT) in November 2021 that covers taxation on income and capital gains. It was the first of its kind DTT signed by Oman with a Gulf Cooperation Council ('GCC') Member. This DTT was ratified by Oman officials in January 2022 vide Royal Decree 4/2022. Recently, Qatar officials has ratified Double Tax Treaty (DTT) with The Sultanate of Oman in November 2022 vide Emiri Decree No. 45 of 2022. This DTT will become effective from 1 January 2023.
- From news around Kingdom of Saudi Arabia, KSA Custom Authorities has now mandated all importers in the Kingdom to furnish Origin Report certified by a Practicing Chartered Accountant in order to claim GCC custom exemption
- As calendar year 2022 is near closing, Taxpayers in Oman having December as financial year end shall be required to file corporate tax return on or before 30 April 2023. This shall coincide with the due date to file VAT return of January 2023 to March 2023 quarter. Given that holy month of Ramadan shall also fall in the month of April 2023, Taxpayers in Oman should plan their compliance timetable for the month of April 2023 well in advance.

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TAX ALERT - THE MUCH-AWAITED UAE CORPORATE TAX LAW IS PUBLISHED

CA Unmesh Bhome

Pursuant to the announcement made in January 2022 and subsequent apt consultation with UAE businesses at large, the Federal Decree-Law No. 47 of 2022 on Taxation of Corporations and Businesses (Corporate Tax Law) has been published (https://u.ae/en/information-and-services/finance-and-investment/taxation/corporate-tax).

This new development is critical for business houses who have operations in Oman and UAE.
The Corporate Tax Law will be effective from tax periods commencing on or after 01 June 2023. The Corporate Tax Law will be supported by decisions to be issued subsequently by the Cabinet in relation to the provisions of the Law.

A summary of Articles of the Corporate Tax Law in brief is given below:

Chapter/ Article range/ Particulars	Preliminary comments
1 /1/ Definitions & General provisions	Several definitions have been provided, which shall aide in reading / interpreting the subsequent articles of the Corporate Tax Law. An important aspect to note that the definitions itself have attempted to segregate treatment of persons/ businesses established in one of the Free Zone by defining 'Free Zone Person' and 'Qualifying Income'.
3-2 /2/ Imposition of Corporate Tax and Applicable rates	While the Corporate Tax rates for UAE based businesses either in Mainland and/or Free Zone have been published but the Corporate Tax rates applicable to businesses exposed to OECD Pillar 2.0 are yet to be published.
10-4 /3/ Exempt Person	In line with the public consultation paper, several Persons / Businesses / activities have been identified as operating exempted business along with key conditions for the exemption to apply.
17-11 /4 / Taxable Person and Corporate Tax Base	Various categories of Taxable Persons have been clarified including and not limited to residents, non-residents, qualifications of Permanent Establishment, Partnerships, Family foundations etc.
19-18 /5/ Free Zone provisions	Businesses established in certain Free Zones are expected to be exempted from CT. However, the further nuances shall be clarified by way of Cabinet Decisions; especially on the aspect if a Free Zone business is carrying out activities in the UAE Mainland and/or deriving income from the UAE Mainland
21-20 /6 / Calculation of Taxable Income	Guidance for arriving at Taxable Income has been provided in greater detail
25-22 /7/ Exempt Income	Clarification on what income should be considered for exemption along with qualifying conditions has been laid out including that of certain key sectors such as shipping, aviation, and related activities
27-26 /8 / Reliefs for Qualifying groups and Business Restructuring	Guidance on how losses can be transferred within a Corporate Tax Group along with conditions thereof and relaxations from computing gain or loss on business restructurings has been clarified
33-28 /9/ Deductions	Detailed listing has been provided for deductible and non-deductible expenses along with the conditions / restrictions there on.
36-34 /10 / Related Party Transactions	Guidance on how the transactions with related party/ connected person has to be treated and valued has been provided in much detail including determining the methods on the basis of which arm's length value shall be computed
39-37 /11 / Tax Loss reliefs, transfer and limitations	Much guidance has been provided on eligibility / conditions to carry forward, transfer and/or lapse of tax losses
42-40 /12 / Tax Group provisions	Detailed guidance on eligibility to form or restriction not to form Corporate Tax Group has been provided
47-43 /13 / Calculation of Corporate Tax Payable and guidance on Withholding Taxes, Foreign Tax Credit	Following further deductions are allowed while final payment of Corporate Tax liability for a particular tax period: • Withholding Tax • Foreign Tax Credit • Any other credits and/or relief as may be defined
49-48 /14/ Payment and refund of Corporate Tax	Payment of Corporate Tax liability has to be made within 9 months from the end of the relevant tax period with no requirement of provisional and/or advance payment of Corporate Tax liability. Further, if there is excess Withholding Tax liability then the same can be claimed as refund subject to the applicable procedures.
50 / 15/ Anti- Abuse Rules	It has been clarified that typically Corporate Tax planning considerations shall not be the only consideration to drive a transaction but should have valid commercial reason/ economic reality. Transactions structured with the only intention to reap benefits/ reliefs of Corporate Tax could be questioned
52-51 / 16/ Tax Registration and Deregistration	Enabling Articles related registration and de-registration has been provided. Procedures for the same could be provided by way of Cabinet decisions.

59-53 /17 / Tax Returns and Clarifications	Enabling Article related return filing requirements has been provided along with certain key details that have to be submitted along with the returns. It appears that audited / certified financial statements and transfer pricing documentation may be required to be filed; however, whether such financial statements and transfer pricing documentation is required to be filed along with the Corporate Tax returns remains to be expressly clarified.
60 /18/ Assessments and penalties	Enabling Articles regarding conducting periodic Corporate Tax assessment has been provided along with powers to levy penalties in case of violations
61 / 19 / Transitional provisions	It appears that there is no need to recast previous year's financial statements, which shall be the opening balance sheet for tax period reporting subject to considerations around transfer pricing
70- 62 / 19 / Closing provisions	Specific Articles for sharing of revenue between Federal and Local government, regard to international agreements i.e., double tax treaties and repealing of conflicting provisions have published

It is expected that the FTA will release Cabinet Decisions, Executive Regulations and guides in due course which will provide further clarity on application of certain key exemptions; especially related to those businesses established in the Free Zones and the generic procedures to be followed while complying with the provisions of the Corporate Tax Law.

With Corporate Tax regime going live for tax periods commencing on or after 01 June 2023, it is important any business operating within UAE [either on mainland and/or Free Zone] or any business established outside of the UAE but operating in the UAE or even dealing with the UAE to conduct the impact analysis and plan seamless transition to the Corporate Tax Regime in the UAE. With the timely and detailed publication of the Corporate Tax Law well in advance of the implementation, the UAE has once again portrayed of retaining its position as one of the most attractive business destinations in the world.

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TIMES OF OMAN TUESDAY, DECEMBER 13, 2022

INTERNATIONAL SEMINAR

ICAI seminar calls for building synergies to boost all-round economic, social development

MUSCAT: A two-day international seminar has called for building greater synergies and multi-stakeholder equitable partnerships among institutions to achieve sustainable economic and social development.

Organised by the Institute of Chartered Accountants of India (ICAI) Muscat Chapter (under the sponsorship of the College of Banking and Financial Studies-CBFS) here at Crowne Plaza Muscat on December 9 and 10, 2022, the seminar, entitled, "CA-Success through Synergy", has emphasised the significance of strengthening synergies between accounting professionals and various institutions in a fast-changing global environment.

Dr Rahma bint Ibrahim Al Mahrouqiyah, Minister of Higher Education, Research and Innovation; Amit Narang, Ambassador of India to the Sultanate of Oman presided over the seminar.

"Building greater synergies between higher education, research and innovation are crucial in a knowledge-based economy. We must strive hard to strengthen the synergies among various institutions. Enhancing human capital is the need of the hour for all institutions, and through synergies such as multi-stakeholder equitable partnerships, we can make a difference in the lives of others and achieve all-round economic and social development," said Rahma Al Mahrouqiyah.

Dr. Zahran Al Salti, Dean of CBFS; CA (Dr.) Debashis Mitra, President of ICAI; and CA Aniket Sunil Talati, Vice President of ICAI were the Guests of Honour during the seminar. Mohsin bin Khamis Al Balushi, former advisor to the Ministry of Commerce, Industry and Investment Promotion; Anis Moosa Al Lawati, Deputy Dean, CBFS; and Yaseer Al Kalbani, Assistant Dean CBFS have also attended the occasion.

In his welcome address, CA Sajeev Surendran, Chairperson, ICAI Muscat Chapter said, "It is our endeavour to maximise success through synergies in our core areas of expertise. Openness and international cooperation among accounting professionals are needed more than ever to improve the economic and business environment and the lives of people everywhere. Let's unleash the economic potential and help societies make a big step towards sustainable development. Let's join hands in our efforts towards a better and sustainable future for all."

An informative discussion on "Oman Vision 2040", moderated by Fatick Hussain Al Balushi, CFO of Oman Cement Company, examined the significance of various pillars of Oman's future economic and social development. Abdul Razzaq Al Balushi, CFO, Ooredoo Oman; Jayaprakash Menon, CEO, Mohsin Haider Darwish (ITICS); and Mubeen Khan, former Chairman, ICAI Muscat Chapter were the panellists.

More than 200 delegates, including CEOs, CFOs, and various other dignitaries from the public and private sectors attended the informative seminar. Eminent speakers CA (Dr.) T P Anand, Chief Strategist, Leap Business Excellence Advisory FZE; CA Nihar Jambusaria, former president of ICAI; Leen Kumar Suganaran, Chief Risk Officer, Bank Dhofar; Dr Ashwinder Singh Bahal, Dean –Centre of Excellence, ICAI; CA (Dr.) K. Rama Subramaniam, Cyber Criminologist, Information Security and Digital Forensic Consultant; CA Sangeeta Shankaran Sumesh, author and business leadership coach; CA Gaurav Gupta, CEO and Co-founder of the Federation 100; CA Rachana Phadke Ranade, Equity Market Expert and famous Youtuber; and R. Narasimhan, GM-Wholesale Banking, Bank Nizwa made comprehensive presentations on various informative topics.

Dr Rahma bint Ibrahim Al Mahrouqiyah, Minister of Higher Education, Research and Innovation; Amit Narang, Ambassador of India; Anis Moosa Al Lawati, Deputy Dean of CBFS; and members of the ICAI Muscat Chapter Managing Committee during the inauguration.

Dr Zahran Al Salti, Dean of CBFS; Yasser Al Kalbani, Assistant Dean of CBFS; CA (Dr.) Debashis Mitra, President of ICAI; CA Aniket Sunil Talati, Vice President of ICAI; CA Sajeev Surendran, Chairperson, ICAI Muscat Chapter; and Jim Joseph Itty, Vice Chairperson during the seminar.

06 | MUSCAT DAILY | TUESDAY, DECEMBER 13, 2022

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H E Dr Rahma bint Ibrahim al Mahrouqiyah, Minister of Higher Education, Research and Innovation; and Indian Ambassador H E Amit Narang presided over the seminar.

"Building greater synergies between higher education, research and innovation is crucial in a knowledge-based economy. We must strive hard to strengthen the synergies among various institutions. Enhancing human capital is the need of the hour for all institutions, and through synergies such as multi-stakeholder equitable partnerships, we can make a difference in the lives of others and achieve all-round economic and social development," said H E Dr Rahma.

Dr Zahran al Salti, Dean of CBFS; Dr Debashis Mitra, President of ICAI; and Aniket Sunil Talati, Vice President of ICAI were the guests of honour at the seminar. Mohsin bin Khamis al Balushi, former advisor to the Ministry of Commerce, Industry and Investment Promotion; Anis Moosa al Lawati, Deputy Dean, CBFS, and Yasser al Kalbani, Assistant Dean, CBFS also graced the occasion with their presence.

Welcoming guests, Sajeev Surendran, Chairperson, ICAI Muscat Chapter said, "It is our endeavour to maximise success through synergies in our core areas of expertise. Openness and international cooperation among accounting professionals are needed more than ever to improve the economic and business environment and the lives of people everywhere.

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