KPMG

# Bahrain & GCC Tax News

## Bahrain

**National Bureau for Revenue (NBR) publishes the Arabic version of VAT Transportation Guide**

On 30 May 2021, the NBR published the Arabic version of its VAT Transportation Guide under the Publications section on their website.

Click here to access the VAT Transportation Guide (in Arabic).

**Economic Substance (ES) return filing deadline extended to 31 July 2021**

The Ministry of Industry, Commerce and Tourism (MoICT) has announced that the FY 2020 ES return re-filing deadline has been extended to 31 July 2021 for entities which are not regulated by the Central Bank of Bahrain (CBB).

Click here to read our Tax Alert regarding the new ES return filing process.

**Further extension of credit instalments deferral**

On 27 May 2021, the CBB issued circular no. OG/170/2021 for further extending the loan repayment deferral which was initially valid up to 30 June 2021. The extension will be for another six months i.e. until 31 December 2021.

Click here to access the circular.

**Is your business ready for the potential introduction of corporate tax in Bahrain?**

Bahrain, as a member of the Organisation for Economic Co-operation & Development Base Erosion Profit Shifting (BEPS) Inclusive Framework, has committed to align national regulations and processes with the international tax framework, and implement the BEPS minimum standards. Whilst the Kingdom of Bahrain has not yet made an announcement on the potential introduction of corporate tax, we have witnessed the implementation of Economic Substance (ES) rules, Ultimate Beneficial Owners (UBO) rules and Country-by-Country (CbC) reporting requirements.

The BEPS project on addressing the tax challenges arising from the digitalization of the economy consists of two pillars:

— **Pillar One** aligns taxing rights more closely with local market engagement - a portion of multinationals "residual profit" should be taxed in the jurisdiction where revenue is sourced.
— **Pillar Two** applies where, even after the effect of Pillar One (if any), multinationals are regarded as undertaxed by reference to an agreed minimum level of global taxation, regardless of the jurisdiction where profits may be recorded.

All multinationals can expect their effective tax rates globally to change in the coming years as a result of 'Pillar Two'. However, the impact on groups in the Middle East is expected to be greater given the prevalent nil/ low tax environment they have benefited from till date.

Within the Middle East, groups having a significant presence in Bahrain, the UAE and KSA (zakat paying entities), i.e. the nil/ low tax jurisdictions, may lose substantial double tax treaty benefits/ overseas tax deductions on intra-group transactions. While the ES rules have been introduced in the UAE and Bahrain, Pillar Two proposals do not provide for any exemption where constituent entities in these countries are subject to local substance requirements. Therefore, one of the key developments we may witness is that countries (such as Bahrain) in the region could incorporate Pillar Two principles into their domestic tax framework and more importantly increase tax or potentially introduce corporate taxes.

In our latest Tax Insights article, KPMG Bahrain tax partner, Mubeen Khadir, has shared his thoughts on the "Future of Tax" in Bahrain, scenario planning and questions to consider for decision makers at Bahrain businesses.

## Kingdom of Saudi Arabia (KSA)

**Delay in phase two of implantation of e-invoicing**

On 28 May 2021, Zakat, Tax and Customs Authority (ZATCA) published the resolution of controls and requirements of e-invoicing (Fatoorah). The e-invoicing will be implemented in two phases:

- Phase one, known as the “Generation phase” and enforceable with effect from December 2021
- Phase two, known as the “Integration phase” and enforceable with effect from January 2023 (to be implemented in waves by targeted taxpayer groups).

Click here to read more.

**Discussion held on the pending tax treaty between Kenya and KSA**

Further discussions were held between delegates from Kenya and KSA on the pending tax treaty between them in a meeting held in Kenya.

## United Arabic Emirates (UAE)

**UAE Ministry of Economy announces amendments to Commercial Companies Law (CCL)**

On 19 May 2021, UAE Ministry of Economy announced that the amendments to the CCL would come into effect from 1 June 2021, allowing 100% foreign ownership of onshore companies. Click here to read more.

Further, the Abu Dhabi Department of Economic Development has released a list of activities that are eligible for 100% foreign ownership. Click here to access the list.

**UAE establishments required to submit their Real Beneficiary information before 30 June 2021**

All establishment registered and licensed in UAE are required to submit information regarding their Real Beneficiary before 30 June 2021 in order to avoid penalties. Penalty for violating the Real Beneficiary disclosure requirements would be a written warning followed by a fine of AED 100,000/-.

Click here to read more.

**Federal Tax Authority (FTA) issues public clarifications regarding amendments to administrative penalties for tax law violations**

On 29 May 2021, FTA issued two public clarifications to clarify the scope of the new amendments to the administrative penalties for tax law violations.

The first public clarification provides details about the fundamental amendments to the table of administrative violations and penalties. The second public clarification sets out the mechanism used to re-determine some administrative penalties that were imposed before the effective date of the new amendment on 28 June 2021.

lick here to access the public clarifications. Click here to access KPMG UAE Tax Flash regarding the amendments.

**Any person or group has the right to apply for a reduction or exemption from Tax Law violation penalties**

On 26 May 2021, the FTA clarified that any person or group has the right to apply to the FTA to reduce or exempt the penalties imposed for violation of the provisions of tax legislation, provided that there is an excuse acceptable to the FTA, and supported by evidence that justifies the existence of the excuse and the violation that led to the imposition of administrative penalties.

Click here to read more.

**Tax treaty updates**

Below are the most recent developments on tax treaties between UAE and other countries:

- On 21 May 2021, Ecuador ratified the tax treaty with UAE.
- On 31 May 2021, Israel and UAE signed a tax treaty.
- On 9 June 2021, the Costa Rica - UAE income tax treaty of 2017 will come into effect.

## Oman

**Extension to the CRS registration deadline**

Oman Tax Authority (OTA) has announced extension of the deadline for submitting financial information for the year 2020 to 10 June 2021.

Click here to access the announcement.

## 2021 KPMG Virtual MESA Tax Summit


As we continue into 2021 with growing optimism, the summit will bring together a fascinating mix of speakers sharing their perspectives on emerging tax and business considerations, unbundling some of the challenges facing organizations in the post-Covid era, and highlighting bright spot opportunities for tax leaders and their teams to consider as tax departments work to evolve in 2021 and beyond.

In the absence of being able to come together in person, we are excited to bring you this virtual summit with distinguished speakers, sharing diverse perspectives on a range of issues that matter.

The panel discussions will focus on the below topics:

- The changing tax, regulatory and economic landscape in the new reality
- International transfer pricing developments and their impact on the region
- The tax function of the future

Click here to register for the event.

*The above is for general information only and is not intended to address the circumstances of any particular scenario. Please seek professional advice in relation to your particular circumstances.*

For a detailed discussion on how the above updates may impact your business, contact us.


**Mubeen Khadir**
Partner - Head of Tax & Corporate Services
T: +973 3222 6811
E: mubeenkhadir@kpmg.Com

**Omar Hisham**
Senior Manager
T: +973 3840 7759
E: sosaid@kpmg.com

**Hasan Khalaf**
Manager
T: +973 3636 6462
E: hakhalaf@kpmg.com

**Mansoor AlWadaie**
Manager
T: +973 3998 8098
E: malwedaie@kpmg.com

**Shashank Chandak**
Manager
T: +973 3553 1905
E: shashankchandak@kpmg.Com

**Dao Han Hung**
Manager
T: +973 3907 7964
E: hdaohan@kpmg.com


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*KPMG can assist with selecting the most suitable legal entity and support you with all required regulatory approvals and licenses. We provide commercially focused regulatory and business advice for organizations to maintain compliance with the Bahrain Commercial Companies Law, Central Bank of Bahrain rulebook, other local regulations and leading industry practices.*

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