

# BDO GCC TAX UPDATE

## Q1 2024

# Introduction

Welcome to BDO's quarterly tax update for the GCC. The first quarter of 2024 has started with a flurry of activity and there are some important changes across the region.

One of the most important developments is in Saudi Arabia, where further details of the reliefs for regional headquarters have been released. This is something that is growing in importance and any foreign groups wishing to bid for contracts with government agencies in Saudi Arabia should make sure they are fully conversant with the rules and the potential benefits.

Some of the biggest tax developments of 2023 came from the UAE, with the introduction of the new corporate tax. 2024 has started in a similar vein, with a large number of new guidance notes and clarifications on UAE corporate tax and VAT. These include detailed guidance on corporate tax groups and confirmation of the deadlines for corporate tax registration. There are penalties for missing the registration deadlines so, if you are not yet registered, it is important to check the registration deadline for your business. Details can be found in the UAE section, below.

There is also some interesting news from Bahrain, where the retention period for VAT records has been extended to ten years; additionally, there is some news on the proposed implementation of the new Bahrain corporate tax. No details have been released as yet but we understand that progress has been made.

In Oman, the Tax Authority has announced a scheme to support taxpayers with outstanding tax liabilities arising before 1 Jan 2020. Full details and an application form are published on the Authority's website.

Kuwait has recently entered into some new double tax avoidance agreements (DTAA), including an agreement with the UAE. This is particularly significant as it is the first double tax agreement it has entered into with another GCC state. Negotiations are also underway for a DTAA with Saudi Arabia.

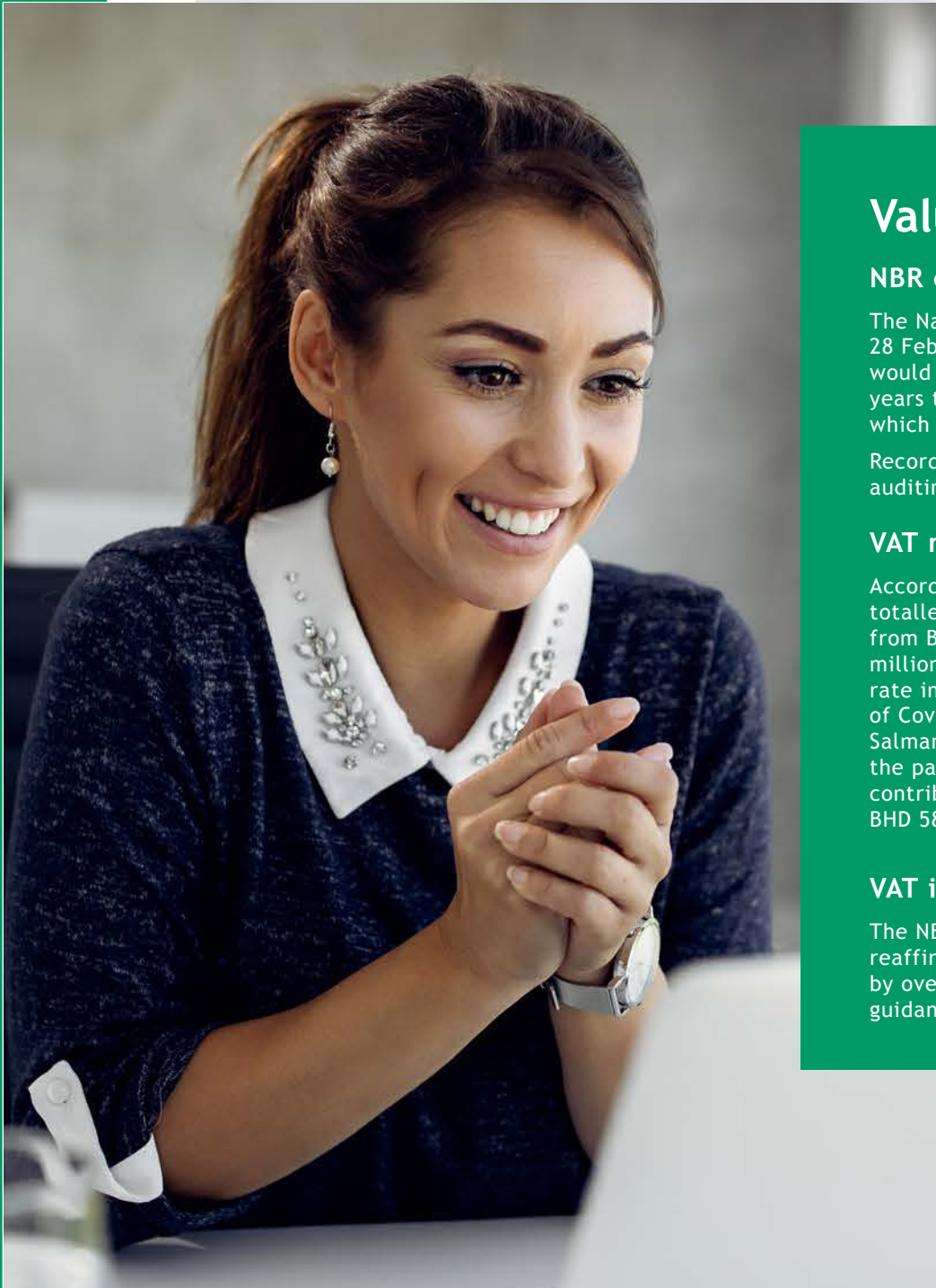
Qatar has also been active on the DTAA front, with the signing of new agreements with Estonia and Uzbekistan and the ratification of an earlier agreement with Egypt.

Finally, the OECD BEPS initiative continues to be mentioned across the region, with further discussion of Pillar 2 and the global minimum tax rate. This includes the launch of a public consultation on the Global Anti-Base Erosion Model (Pillar Two) (GloBE) Rules in the UAE.

# Bahrain

The image shows the Bahrain National Theatre, a modern architectural structure with a unique, wavy, metallic facade. The building is set against a vibrant sunset sky with hues of purple, pink, and orange. In the background, the Bahrain city skyline is visible, including several tall skyscrapers. The foreground shows a paved plaza with a low wall and some greenery.





## Value added tax

### NBR extends record retention period

The National Bureau for Revenue (NBR) notified taxpayers by email on 28 February 2024 that the retention period for accounting books and records would be extended to ten years for VAT purposes. The extension adds five more years to the initial five-year retention period from the first tax period in 2019, which ended on 31 March 2024.

Records and accounting books must remain accessible for future reference and auditing purposes.

### VAT revenue drives economic growth

According to recent press reports, Bahrain's government revenue from VAT totalled approximately BHD 547 million for 2022, marking a significant increase from BHD 247 million in 2021. This brought the total VAT revenue to BHD 794 million over two years. The surge in 2022 can be attributed partially to the VAT rate increase from 5% to 10% and a rise in business activity following the easing of Covid-19 restrictions. Minister of Finance and National Economy, H.E. Sheikh Salman Bin Khalifa Al Khalifa, disclosed these statistics during a meeting with the parliament's Financial and Economic Affairs Committee. In 2023, VAT contributed to a six percent increase in revenues, with VAT revenues reaching BHD 583 million.

### VAT implementation workshop

The NBR recently hosted an interactive workshop focused on VAT implementation, reaffirming its commitment to enhancing awareness among VAT payers. Attended by over 80 representatives from VAT payers, the workshop aimed to provide guidance on VAT procedures and related aspects.

# Corporate tax

## Hong Kong and Bahrain sign agreements to avoid double taxation

Hong Kong and Bahrain signed a comprehensive avoidance of double taxation agreement (CDTA) on 3 March 2024. This agreement aims to eliminate double taxation on income for individuals and companies residing in both jurisdictions, facilitating cross-border economic activities.

Under the CDTA, Hong Kong companies can benefit from double taxation relief, allowing any tax paid in Bahrain to be credited against tax payable in Hong Kong for the same income. The agreement will come into force after ratification procedures are completed by both parties.

## Bahrain and UAE tax treaty

On 5 February 2024, the Bahrain Cabinet approved a landmark tax treaty with the UAE aimed at eliminating double taxation.

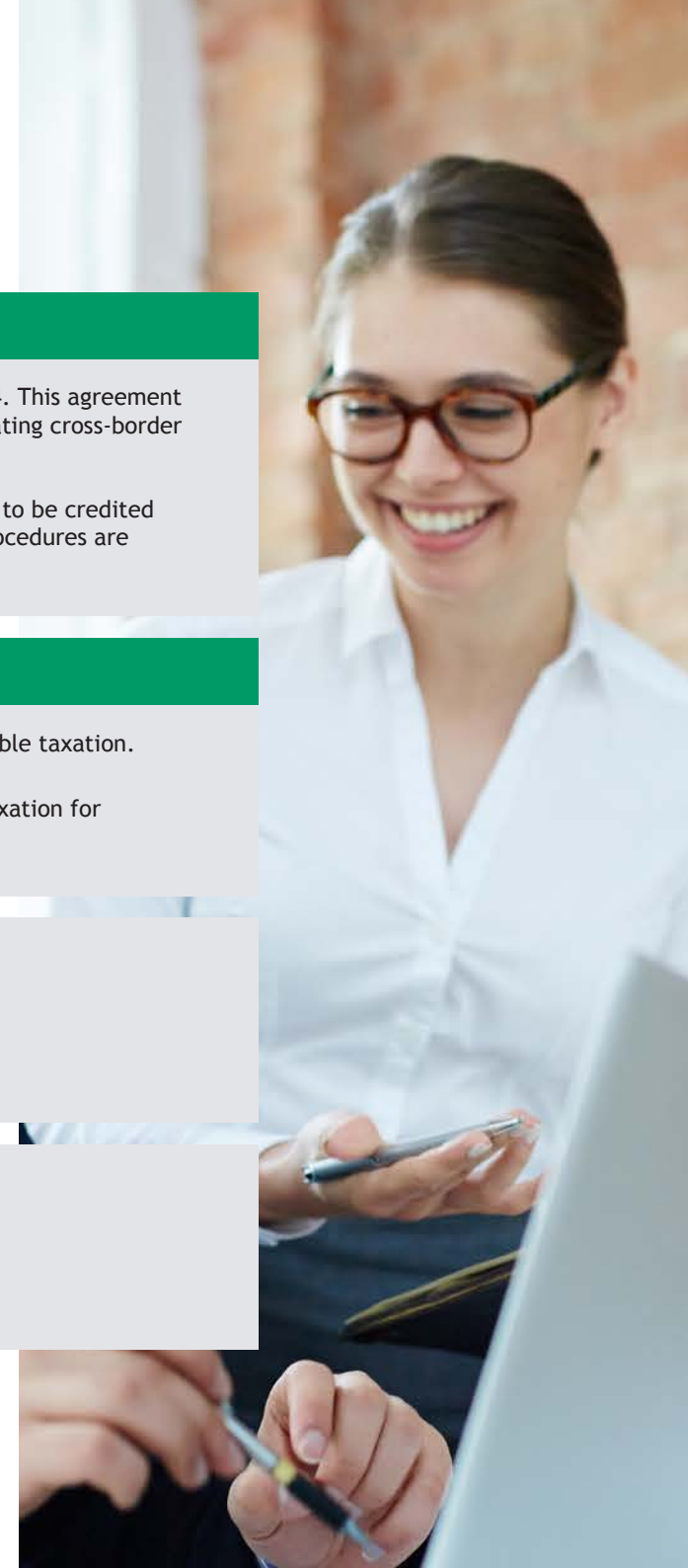
This pioneering agreement, the first between the two nations, seeks to prevent fiscal evasion and ensure fair taxation for businesses and individuals operating across borders.

### *Key points of the treaty:*

- Covers income taxes, withholding taxes and related levies
- Specific terms of the treaty remain undisclosed.

### *Status update:*

- Pending formal signing and ratification by both the UAE and Bahrain
- Treaty implementation timeline yet to be determined.



A man and a woman are sitting at a desk in an office, looking at a laptop. The man is on the left, wearing a light blue shirt, and the woman is on the right, wearing a red top. They are both smiling. In the background, there are whiteboards with some papers pinned to them. On the desk, there are some office supplies like a pink highlighter and a yellow cup.

## Corporate income tax implementation

Recent parliamentary discussions in Bahrain involved stakeholders from the National Bureau for Revenue (NBR) and Minister of Finance, Shaikh Salman bin Khalifa Al Khalifa, regarding the introduction of Corporate Income Tax. While an official implementation date remains unannounced, progress has been made.

Bahrain is committed to international tax reform through its membership in the OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS). Bahrain, along with over 140 countries, including its GCC neighbours, has endorsed a global minimum tax rate of 15%.

Discussions held on 22 December 2023 indicated the government's intent to share a draft corporate tax law with the legislative branch for review by March 2024.



# The Sultanate of Oman





## Tax liability settlement initiative

On 2 January 2024, the Oman Tax Authority (OTA) announced the launch of the Tax Liability Settlement Initiative ('the Initiative') for tax obligations arising before 1 January 2020.

The initiative offers a 50% discount on taxpayers' outstanding taxes with the possibility of instalments over a period of three years.

The OTA has uploaded an official application form, which lists the relevant conditions. The deadline for filing the application was on 30 January 2024.

## Country by country reporting

Country by Country Report (CbCR) filings were due by 31 December 2023. The AEOL (Automatic Exchange of Information) system is still unavailable due to the ongoing rebuilding of a new system.

## New chairman of the tax authority

Royal Decree 06/2024 appoints Mr. Nasser Bin Khamis Bin Ali Al Jashmi as Chairman of the Tax Authority. It will be effective from the date of its issue.



# Kuwait



## Double tax avoidance agreements

### Kuwait and the United Arab Emirates sign double taxation avoidance agreement (DTAA)

In February 2024, during the 8th Arab Fiscal Forum held in Dubai, Kuwait and the UAE signed a DTAA between the 2 countries. This is the first tax treaty that Kuwait has signed with a GCC member state.

The DTAA between both the parties aims to strengthen ties between them and enhance economic integration. It brings bilateral investment opportunities and ensures that the taxpayers are not subject to double taxation on the same income. The DTAA is yet to be ratified and published in the official Gazette in Kuwait.

### Kuwait confirms intention to sign DTAA with the Kingdom of Saudi Arabia (KSA)

In January 2024, the new Amir of Kuwait, Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah, visited KSA to strengthen the political and commercial ties between the two countries. As per the joint statement released by the Saudi Press Agency, Kuwait and KSA intend to enter into a DTAA.

### Hungary DTAA negotiations

In February 2024, Hungary issued a decree allowing its Ministry of Finance to negotiate the protocol to its existing DTAA with Kuwait. The amendment to the DTAA is yet to be agreed and ratified by the two countries.



A smiling man and woman in an office setting. The woman has long brown hair and is wearing a blue top. The man has short dark hair, glasses, and a beard, wearing a grey blazer over a blue shirt. They are both looking at each other and smiling. The background is a bright office with large windows, indoor plants, and a red decorative element on the left.

## FATCA - IRS releases amended W-9 form

In March 2024, The Internal Revenue Service (IRS) released an updated revision of Form W-9, 'Request for Taxpayer Identification Number and Certification' and shows a revision date of March 2024.

The updated W-9 form has a new reporting requirement for flow-through entities. The form will now require flow-through entities to identify the presence of any direct or indirect foreign partners, owners or beneficiaries when providing the form to other flow-through entities. Also, the revised instructions to Form W-9 clarify how the form should be completed by a single-member limited liability company.

## Pillar Two implementation

In November 2023, the OECD announced that Kuwait had joined the OECD/G20 Inclusive Framework on BEPS and committed to participating in the Two-Pillar Solution.

The Kuwait Ministry of Finance is currently in the process of finalising the framework for implementing Pillar Two in the country. However, as of March 2024, no draft legislation or consultation paper have been issued.



# Qatar





## Double tax treaties

The State of Qatar recently announced that it has entered signed agreements with Estonia and Uzbekistan for the purpose of eliminating the risk of double taxation with respect to taxes on income and preventing tax evasion and avoidance between the two countries.

In addition, the Qatar Cabinet has approved the ratification of the tax treaty with Egypt, which had been pending.

These agreements add to Qatar's growing list of double tax treaties, which comprises agreements with over 60 sovereign states.





# Kingdom of Saudi Arabia



# Tax reliefs for regional headquarters

## Corporate income tax

Multinational companies establishing regional headquarters in Saudi Arabia can benefit from a 30-year tax incentive package, announced on 5 December 2023. The package includes a 0% corporate tax and withholding tax rate for approved Regional Headquarters (RHQ) activities for three decades, starting from the RHQ licence issuance date.

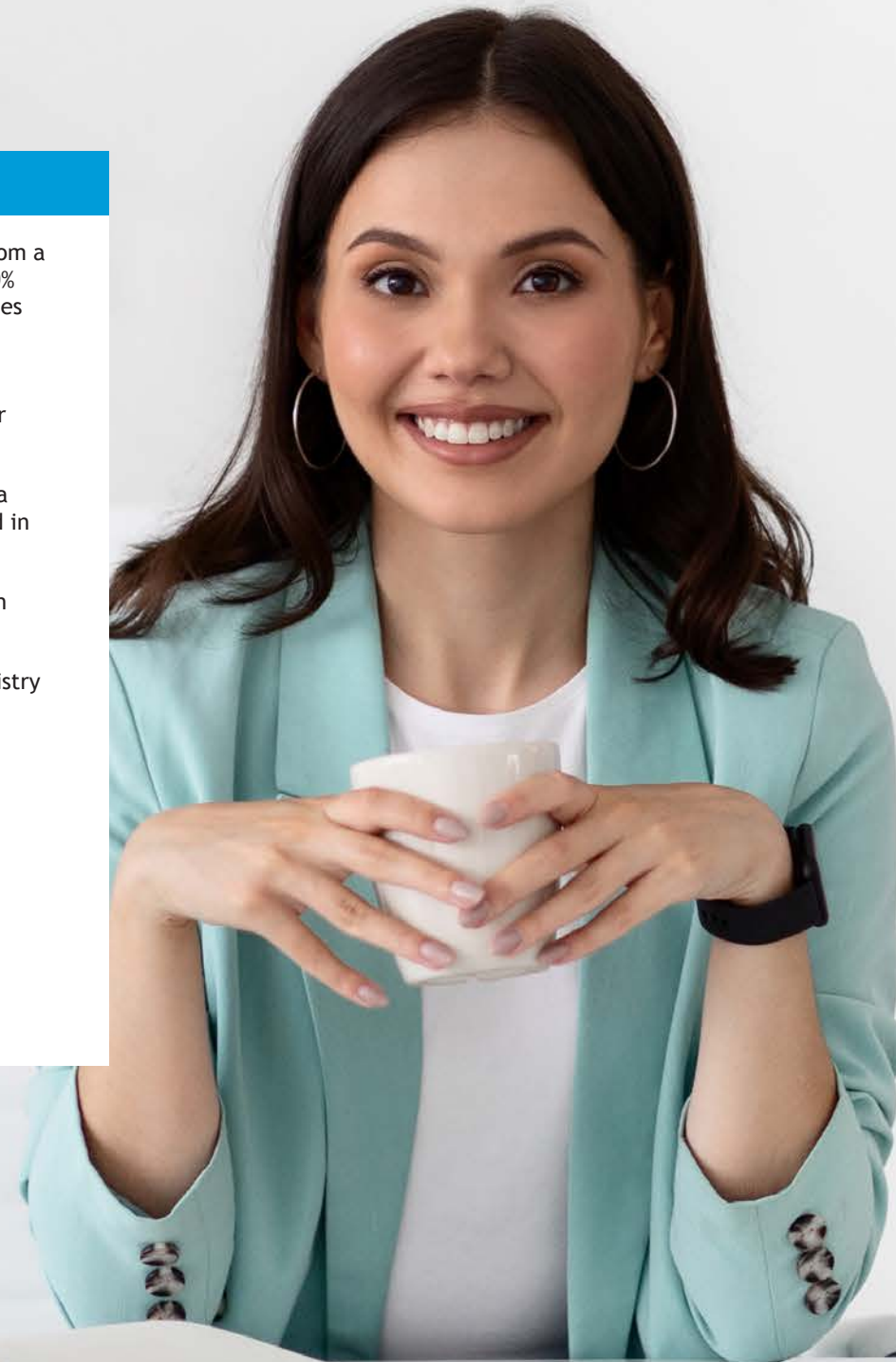
In February 2024, Saudi Arabia's official Gazette published the detailed conditions that multinational companies must meet to receive their 30-year incentives when moving their regional headquarters to the country.

Tax regulations in Saudi Arabia govern the rules for multinational companies establishing a RHQ in the country. RHQs are treated as residents if they meet residency criteria outlined in the Income Tax Law and any international agreements involving Saudi Arabia.

To benefit from RHQ incentives, companies must provide accurate information and refrain from tax evasion or malpractices.

Article 3 of the regulations outlines the following tax incentives for RHQ meeting the Ministry of Investment criteria.

- Income tax at a rate of zero percent on qualified income
- With holding tax at a rate of zero percent on payments made by the RHQ to non-resident persons:
  - By way of dividends
  - To related persons
  - To unrelated persons for services necessary for the activity of the RHQ



## Corporate income tax, continued

The withholding tax exemption does not apply to RHQ payments related to non-approved activities or in cases of tax avoidance as outlined in Article 12 'Anti-Avoidance' of the tax rules. Tax treatment for RHQ income from non-qualified activities follows the usual Saudi tax system and relevant agreements and international obligations.

The rules highlight the necessity for RHQ registration with the Zakat, Tax and Customs Authority (ZATCA) in line with specified procedures in the relevant tax and Zakat regulations. The RHQ is obliged to submit tax and Zakat returns as per regulations and provide an annual report using the authority's designated form to ensure compliance with economic requirements.

Regarding record-keeping, the RHQ must maintain accounts for each tax year, including the partial tax year commencing from the date of obtaining the regional headquarters' licence to the tax year's end. If the RHQ engages in non-qualifying activities, separate accounts must be kept and income must be allocated to qualifying activities as if they were independent.

The Zakat, Tax and Customs Authority are empowered to perform regulatory and executive tasks, including information acquisition and evaluations, examinations and audits of RHQs in Saudi Arabia, as per the relevant tax and Zakat systems. The authority ensures RHQ compliance with economic growth requirements annually. RHQs can request interpretive decisions from the Authority to clarify tax-related issues under these rules and regulations.

Non-compliance with tax and Zakat regulations by the RHQ will result in penalties, as outlined in the regulations. The RHQ has the right to object to assessments, reassessments and penalties imposed by the Zakat, Tax and Customs Authority, with avenues for appeal and complaint according to the relevant regulations.

Article 11 of the regulations specifies that if the RHQ fails to meet economic requirements during the licence period, the authority will notify the RHQ of the violation and provide a 90-day corrective period. Failure to comply may result in penalties, plus cancellation of tax incentives, with fines applied as per the tax regulations for the relevant tax years. Provisions concerning tax avoidance and evasion in the tax regulations also apply to RHQs.

Saudi government agencies will have limited interaction with Multinational Companies (MNCs) that do not have RHQs in Saudi Arabia after 1 January 2024. Exemptions are only granted for specific bidding and procurement functions.





## Transfer pricing

ZATCA has confirmed that RHQs must comply with the current transfer pricing bylaws and rules and must ensure that all transactions with related persons are conducted at arm's length. The RHQ regulations have simplified the interpretation of 'Related Companies' or 'Related Persons' by adopting the same definition as the existing transfer pricing bylaws.

As there are currently no specific transfer pricing guidelines issued for RHQs, we expect the documentation requirements will be consistent with the current obligations as outlined under the TP bylaws in force. Further explanatory material and guidance is expected to be released by ZATCA.

To optimise the full benefits granted under the RHQ programme, MNCs need to ensure alignment with Saudi transfer pricing regulations and follow the specific requirements - and be aware of the business activity restrictions applicable to RHQs.



# UAE



# Corporate tax

## Tax groups

The Federal Tax Authority (FTA) has published detailed guidance on tax grouping. The guidance clarifies various aspects of the tax group rules, such as formation, termination, taxable income and compliance.

The benefits of forming a tax group include being able to file a single group tax return and the ability to transfer tax losses, assets and liabilities between group members without creating a tax impact. There can also be disadvantages to tax grouping:

- The zero rate on profits up to AED 375,000 will apply at the group level; it will not increase or decrease in proportion to the members in the group
- The revenue limit for small business relief remains at AED 3 million for the group as a whole
- Tax group members are jointly and severally liable for tax debts arising during the time they are a member of the group

## Conditions

The CT Law defines a tax group as two or more resident taxable persons that are treated as a single taxable person. Tax grouping is elective and requires the parent company and the subsidiaries concerned to meet certain eligibility requirements and submit a joint application to the FTA. The following conditions must be fulfilled throughout the relevant tax period:

- All companies must be resident juridical persons, i.e. be separate legal entities and incorporated or effectively managed and controlled in the UAE
- The parent company must own directly or indirectly at least:
  - 95% of the share capital of each subsidiary
  - 95% of the voting rights of each subsidiary or
  - 95% of the profits and net assets of each subsidiary
- None of the entities in the group can be exempt persons or qualifying free zone persons
- All companies in the group must have the same accounting period and follow the same accounting standards (IFRS or IFRS for small and medium-sized companies)



## Corporate tax, continued

For companies incorporated overseas but managed and controlled in the UAE, double tax agreements can assist in determining tax residence and eligibility to be part of a tax group.

The timing of the application for group treatment will determine when the tax group is formed. The FTA guidance confirms that an application must be submitted before the end of the tax period in which grouping is desired. If it is not, tax group status will commence with effect from a subsequent tax period or other period determined by the FTA.

When a tax group is formed, a new tax reference number (TRN) is issued that represents the group for administrative purposes. Group members also have individual TRNs that can be used if they were to leave the group.

### Taxable income of the group

The parent company is required to calculate the group's taxable income by consolidating the financial accounts of each subsidiary, eliminating intragroup transactions. As the consolidated accounts for tax group purposes may include tax specific adjustments, tax consolidation might be different to the consolidation drafted for accounting purposes.

Tax losses between group members can be transferred provided they were incurred while being in the tax group. Any pre-group tax losses belonging to a member can be utilised against taxable profits attributable to that member.

The new guidance sets out the arrangements to be followed for calculating taxable income when a member leaves the group, the applicability of qualifying group relief, tax losses and transitional rules.

### Attribution of taxable income

Notwithstanding the requirement to prepare consolidated accounts for the group as a whole, a tax group will need to attribute taxable income to individual members of the group in the following cases:

- A member has unutilised pre-grouping tax losses
- A member has income that is subject to a foreign tax credit
- A member benefits from any of the tax incentives available under the corporate tax law
- A member has unutilised carried forward pre-grouping net interest expenditure

If taxable income is not attributed to its members, the group will not be able to claim tax relief in respect of the above situations.

Where income is allocated in the above circumstances, the arm's length principle must be applied.



## Interest deduction limitation rule

Net interest expenditure is subject to a restriction that allows a deduction up to the greater of either 30% of EBITDA or AED 12 million. Any interest expenditure that is disallowed because of this limitation is carried forward and deductible for the following 10 tax periods. As tax groups are seen as a single entity for corporate tax purposes, the restriction applies to the entire group, not to each individual member.

If a tax group ceases to exist and the parent company is not replaced by another parent company, any unutilised net interest expenditure of the group will be lost.

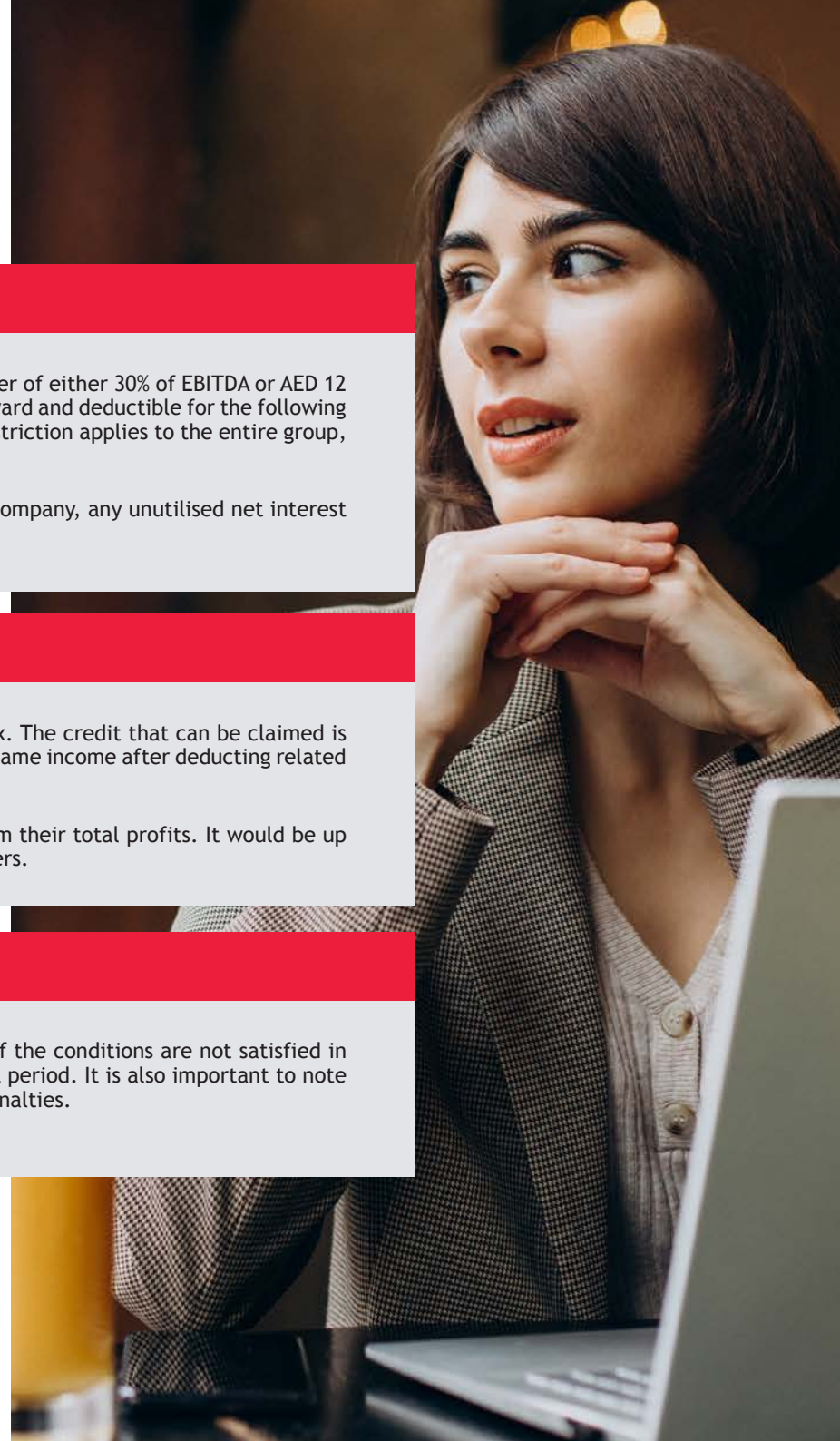
## Foreign tax credits

Tax groups can claim a tax credit on overseas income that has been subject to foreign tax. The credit that can be claimed is the lower of the foreign tax paid on overseas income and the UAE corporate tax due on the same income after deducting related expenses.

Tax groups can make an election to exclude foreign permanent establishment income from their total profits. It would be up to the parent company to make this election, which would be binding on all group members.

## Compliance

The tax group must ensure it remains compliant with the conditions in each tax period. If the conditions are not satisfied in any tax period, tax group status will be terminated with effect from the beginning of that period. It is also important to note that if administrative requirements are not properly met, the group may be subject to penalties.



## Compliance, continued

The group parent company is the representative of the group and is responsible for compliance. Compliance requirements include:

- Making a separate joint application for new entrants to the group
- Preparing consolidated financial statements for the group in accordance with IFRS or (in certain circumstances) IFRS for small and medium-sized companies
- Filing a tax return for the group
- Paying corporate tax for the group
- Requesting corporate tax refunds from the FTA
- Registering and deregistering the tax group
- Maintaining documentation on transfer pricing and financial records
- Communicating with the FTA on matters relating to corporate tax on behalf of the group

Failure to comply with the rules could lead to the imposition of penalties for the submission of incorrect tax returns.

## Changes in the tax group

The corporate tax law contains provisions for a parent company to be replaced by another parent entity, a member to transfer its business to another group member followed by a cessation of trade, or a member joining or leaving the group. In these circumstances, the parent company will be required to submit an application to the FTA specifying the tax period that is affected by the changes. There are deadlines for submitting the applications.

When a member joins or leaves a tax group, the nature of the event will determine when the member joined or left the group for corporate tax purposes, whether at the beginning of the tax period or at the time of the event in the case of a transfer or cessation of a business. This will impact the make-up of the single tax return for the group.

Failure to comply with the rules could lead to the imposition of tax penalties for the submission of incorrect tax returns.



## Cessation of the group

A tax group will cease to exist in the following circumstances:

- When approved by the FTA following a successful application by a parent company
- When a parent company no longer meets the eligibility requirements to form a tax group and is not replaced by another parent company that would meet the requirements without discontinuation of the tax group; or
- When there are only two members of the tax group and one transfers their entire business to the other member and ceases to exist as a result

For points 1 and 2, the tax group will be deemed to have been dissolved from the beginning of the tax period. For point 3, the tax group will dissolve from the date the transfer of the business takes effect.

When a tax group ceases to exist, it will also be deregistered from corporation tax. When making application to disband a tax group, the parent company must confirm that all corporate tax liabilities and penalties have been paid and all tax returns have been filed.

## Key takeaways

Tax grouping will provide simplified compliance for businesses that can fulfil the conditions. However, the conditions and exclusions are strict and many trading groups will not qualify. Any groups that wish to consider tax grouping should carry out an assessment of their ability to qualify, as well as the potential implications and benefits for the group.

The FTA registration portal recently opened for tax groups and early registration is recommended to ensure adequate time is available to deal with any queries or delays during the process. Registration must be complete before filing the first tax return.

## Corporate tax registration timelines

The FTA has prescribed the timeline for filing Corporate Tax registration through Decision No.3 of 2024 effective from 1 March 2024. The Decision also provides a one-time penalty of AED 10,000 for any delay in submitting the CT registration application.

The deadlines are as below:

Resident juridical person			
Date of incorporation	Criteria determining deadline	Date of licence (year of issue not relevant)	Deadline for submitting registration application
Prior to 1 March 2024	Date of licence	1 January - 28/29 February	31-May-24
		1 March - 30 April	30-Jun-24
		1 May - 31 May	31-Jul-24
		1 June - 30 June	31-Aug-24
		1 July - 31 July	30-Sep-24
		1 August - 30 September	31-Oct-24
		1 October - 30 November	30-Nov-24
		1 December - 31 December	31-Dec-24
		No licence as of 1 March 2024	3 months from effective date of decision (i.e. 31 May 2024)
On or after 1 March 2024	Date of incorporation or otherwise established or recognised in UAE	N/A	3 months from date of incorporation, establishment, or recognition
	Date of incorporation or otherwise established or recognised in Foreign Jurisdiction but effectively managed and controlled from UAE	N/A	3 months from the end of Financial Year

Note: If a taxable person has multiple licences, the earliest licence will determine the deadline



Non-resident juridical person - permanent establishment in UAE (PE)	
Date PE established	Deadline
Prior to 1 March 2024	9 months from date of existence of PE
On or after 1 March 2024	6 months from date of existence of PE

Non-resident juridical person - nexus in UAE	
Date nexus established	Deadline
Prior to 1 March 2024	3 months from effective date of decision (i.e. 31 May 2024)
On or after 1 March 2024	3 months from date of establishment of nexus

Natural persons	
Registration test	Deadline
Business turnover exceeds AED 1 million (current limit, which may change in the future) in a Gregorian calendar year.	<b>Residents:</b> 31 March of subsequent Gregorian calendar year
	<b>Non-residents:</b> 3 months from the date of meeting the requirement of being subject to tax

## Partnerships

The FTA has published a guide on the taxation of partnerships in the UAE, whether incorporated or otherwise. It explains how the CT implications associated with partnerships in general interact with other elements of UAE CT, such as Free Zone relief, Small Business relief and related compliances requirements.

# New tax on foreign banks operating in the Emirate of Dubai

The Ruler of Dubai has issued a new law on the taxation of foreign banks. The law applies to all foreign banks operating in Dubai, other than those located in the Dubai International Financial Centre (DIFC).

The banks affected must pay tax of 20% on their annual revenue. The amount payable can be reduced by deducting any tax that is separately payable under the federal corporate tax, which was introduced for all financial periods commencing on or after 1 June 2023.

It should be noted that this is an Emirate level change and affects only Dubai-based banks. It is possible the other Emirates will update their tax laws relating to foreign banks in due course.

## Value added tax

### VAT public clarification on SWIFT messages

On 5 February 2024, the FTA issued a VAT Public Clarification 'VATP036' concerning input tax on SWIFT messages received from international banking institutions outside the UAE.

UAE banks and financial institutions incur expenses on SWIFT charges for interbank services from non-resident banks. Such international bank charges and their underlying transactions are evidenced by SWIFT messages which do not meet the requirements for tax invoices for UAE VAT purposes.

The services of SWIFT messages received from non-resident banks located outside the UAE are required to be reported as imported services and the financial institutions have to deal with the resulting VAT obligations and VAT accounting. This includes issuing a valid tax invoice to itself, as recipient of the supply, which will be used as evidence for input tax recovery.

The FTA has taken into consideration the volume of SWIFT messages received by UAE financial institutions on a daily basis and understands that it will be impractical for financial institutions to issue tax invoices to themselves for each SWIFT transaction.

The FTA has provided a relief to the financial institutions affected and has confirmed that, if the SWIFT message contains sufficient information to establish the particulars of the supply, the UAE financial institutions are not required to issue a tax invoice to themselves in respect of interbank services received from a non-resident bank.

Where the SWIFT messages meet the criteria for 'Qualifying SWIFT message', they will be accepted as sufficient documentary evidence to prove the supply of the interbank service received from the non-resident bank and the UAE financial institution will be considered as having supplied the service to itself. Accordingly, the UAE financial institution will be eligible to recover the input tax.



## Key takeaways

The FTA has acknowledged a challenge faced by financial institutions and provided a welcome relief. However, the issue of this clarification raises the question as to whether there are implications for other services that are imported from outside UAE. If taxpayers do not receive sufficient documentation in relation to import of services, they may be required to issue tax invoices or other documents establishing the details of the transactions to themselves.

If the taxpayers have not retained sufficient documentary evidence in relation to (already reported) imported services, it will be prudent to re-assess the input recovery and take any necessary corrective actions.

## Tax refunds for tourists scheme

The Federal Tax Authority issued Decision No. 2 of 2024 ('New Decision') to amend the Federal Tax Authority Decision No. 2 of 2018 regarding the Tax Refunds for Tourists scheme.

The New Decision is effective from 1 March 2024.

Under the New Decision, the FTA has prescribed Purchase Procedures whereby the retailer is required to perform checks on the customer making a purchase under the Tax Refunds for Tourists scheme. Also, the retailer is required to maintain records about the customer, issue necessary documents and comply with procedures relating to the handling, packaging and delivery of the goods.

The New Decision also specifies that no refund form will be issued to any customer who is below 18 years of age.

The fees that the FTA may charge to the tourist for initiating the tax refunds are also set out in the New Decision.

## Charities that may recover input tax

The UAE VAT law includes a special regime for 'Designated Charities'. This allows the Designated Charities enhanced rights to recover input tax.

The FTA has recently updated the list of Designated Charities through Cabinet Decision 101 of 2023. A comparative table based on the previous list is given below:

Sr No.	Charities categorisation by type/ location	Total list of charities as per last Cabinet Decision	Updated list of charities	Newly added Designated Charity Institutions
1	Federal Entities	12	13	Retired Military Personnel Association
2	Abu Dhabi	42	43	Higher Committee of Human Fraternity
3	Dubai	53	53	-
4	Sharjah	58	58	-
5	Ajman	14	14	-
6	Umm Al Quwain	5	5	-
7	Ras Al Khaimah	10	10	-
8	Fujairah	9	9	-

In addition to above, the names of certain charitable institutions (including Arabic names) have been updated by Cabinet Decision 101 of 2023. The changes were effective from 25 October 2023.

## Public consultation on Pillar Two

The UAE Ministry of Finance has announced a public consultation on the implementation of the Global Minimum Tax or Global Anti-Base Erosion Model (Pillar Two) (GloBE) Rules. The consultation includes a guidance paper, which provides details on the specific aspects of the GloBE Model Rules.

The window to provide comments on the consultation is open until 10 April 2024 and the Ministry of Finance is keen to get clear and concise comments, along with practical examples, from multinational groups operating in the UAE.

The consultation and guidance paper can be accessed via the link <https://mof.gov.ae/global-minimum-tax-public-consultation/>

The issue of the consultation and guidance paper is part of the Ministry's commitment to aligning with global norms and ensuring a seamless implementation of Pillar 2. It follows the amendment of Federal Decree Law No. 47 of 2022 last year, to facilitate the introduction of Pillar 2.

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