BDO GCC TAX CONFERENCE – ARE THERE CHANGES AHEAD FOR GCC TAX?

INTERNATIONAL TAX REFORM – BEPS 2.0

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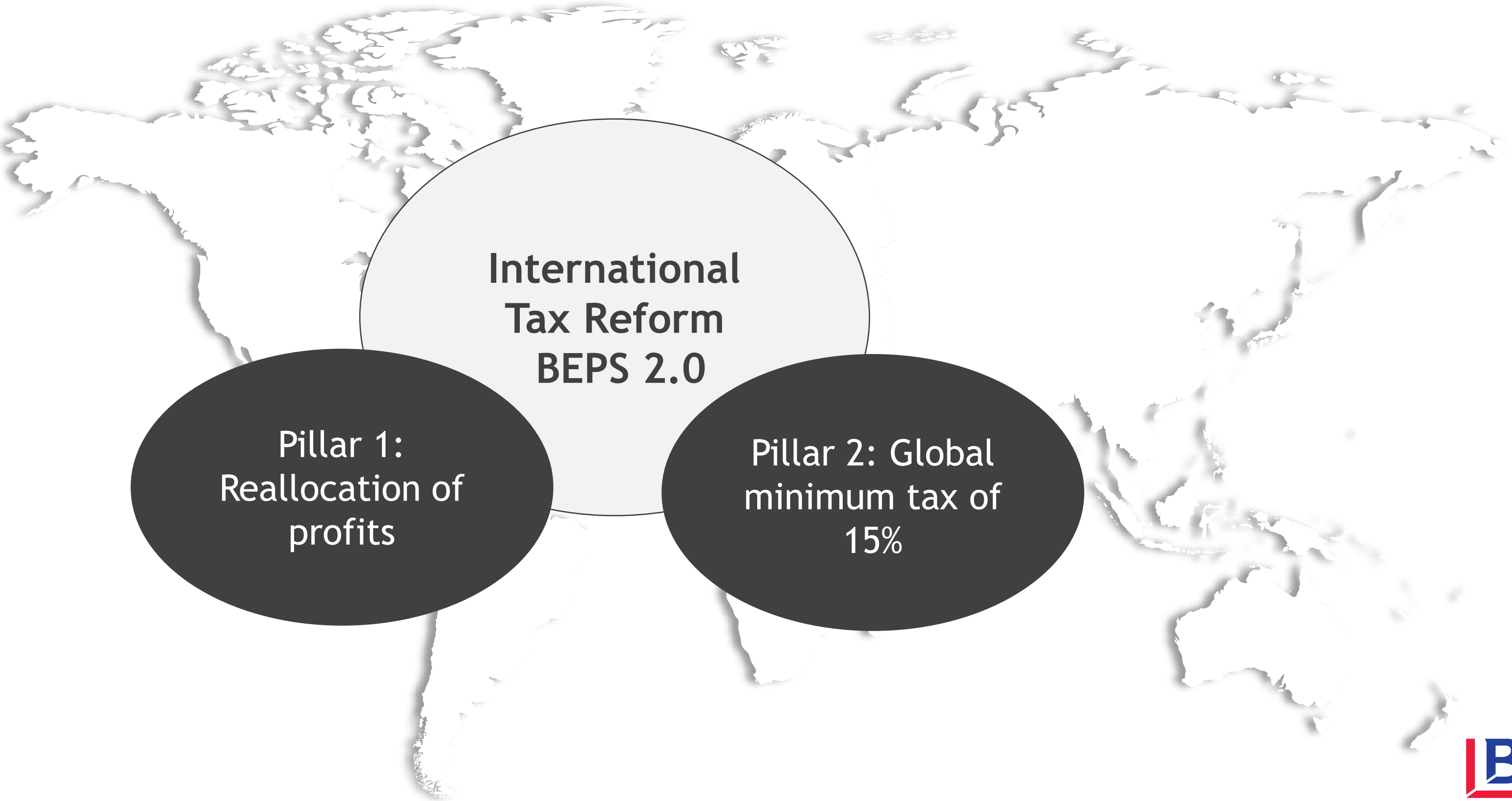
OECD/IF Two-Pillar Approach



Background

OECD BEPS Project

A desire to eliminate non-taxation of income in an international supply chain

Digital Tax Discussion

A perceived need to re-analyse where profits of international businesses should be taxed in the modern highly digitised business environment

The Perceived Issue

Current Tax Framework:
Taxes by the location of management of key functions, assets and risks

Modern business:
Scale without mass through reliance on technology

Secondary Concern

Current Tax Framework:
Too much scope for BEPS remains

Local tax policy:
There is a race to the bottom on corporation tax

Outcome

Reallocation of taxable income (Pillar 1)

Global minimum tax rate of 15% (Pillar 2)

Elimination of Digital Services Tax

Over 136 countries have agreed - including all GCC countries except Kuwait

Pillar 1: Profit reallocation

- New nexus rules to reallocate some profits of MNEs to countries where revenue of an MNE is derived (market jurisdictions)
- The reallocation would be calculated using a formula rather than the arm's length standard - in addition to any profits already taxed in that country under the arm's length standard.

Applicability

- MNEs with global turnover > **EUR 20 billion;** and
- Profitability > **10%** (PBT/revenue)
- Aimed at the World's largest MNEs involved in "consumer facing businesses" and "automated digital services".

How the reallocation works:

- Part of the global residual profit will be reallocated to a market jurisdiction **(Amount A).**
- Revenue from jurisdiction > **EUR 1 million (or** > **EUR 250k** for countries with GDP< Euro **40 billion).**
- The allocation will be done using a revenue-based allocation key. Final details to be issued soon.
- 25% of global residual profit [*profit in excess of 10% of revenue*] to be reallocated to market/user jurisdictions.

Pillar 1: Profit reallocation

Key concepts:

- **“Amount A”:** New taxing right - part of global residual profit reallocated to market jurisdictions.
- **“Amount B”:** Standard baseline return for in-country routine marketing and distribution activities
- **Tax certainty**: Dispute prevention and resolution mechanisms for Amount A.

Exclusions:

Extractive & regulated financial services

Way Forward:

- Amount A’ will be implemented through an MLC, expected to be released by OECD in early 2022 for implementation in 2023.
- Commitment to remove any Digital Services Tax (“DST”) and not to introduce such measures in the future.

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Pillar 2: Global minimum tax

Pillar 2 proposes a global minimum tax rate of 15%.

Applicability

MNEs with global turnover > **EUR 750 million**

How GMT works:

- **Income inclusion rule:** Top-up tax on parent entity for low taxed income of a foreign related entity.
- **Undertaxed payments rule:** Gives source jurisdiction a right to deny deduction of such payments or to top up tax if recipient ETR below 15% (only if Income inclusion rule not applicable). The above two rules are referred to as GloBE rules.
- **Subject to tax rule (treaty based):** Allows source jurisdiction to impose tax at a rate of 9% on certain related party payments such as interest and royalty that are subject to tax below such rate.

Pillar 2: Global minimum tax

Exclusions:

- Government entities, international organizations, non-profit organizations, pension /investment funds that are ultimate parent entities (UPE) of an MNE group or any holding vehicles used by such entities, organizations or funds.
- International shipping income.
- Special transitional rules for MNEs in their initial phase of their international activities.
- Carve-out is provided to exclude an amount of income from the GloBE rules, determined as a mark-up on the carrying value of tangible assets and payroll.

Way Forward:

- Model rules to apply the GloBE rules are expected to be issued in the coming weeks
- Multilateral Instrument (MLI) to be developed and issued mid-2022 for facilitate STTR in the relevant tax treaties.
- Pillar Two expected to be implemented in 2023, with STTR being effective from 2024.

Current CIT rates in the GCC

Country	Corporate income tax	Zakat/similar taxes	Other taxes/comments
Kuwait	15% GCC companies exempt	1% - 4.5% GCC shareholding companies	Limited liability companies are not taxed
Saudi Arabia	20% GCC companies exempt	2.5% Saudi companies	
UAE	✘	✘	Progressive tax rate up to 55% on oil exploration and production companies & 20% flat rate on foreign banks branches
Bahrain	✘	✘	46% on income from oil & gas exploration, extraction, production and refining
Oman	15%	✘	small companies are subject to only 3% tax rate income from sale of oil and gas is taxed at 55% tax rate
Qatar	10% GCC companies exempt	✘	Income from oil and gas activities is subject to higher tax rates starting from 35%

Except Oman, all GCC member states face tax policy considerations due to BEPS2.0

Potential impact of BEPS 2.0 on the GCC

All GCC member states have supported the global tax deal, except Kuwait which is not IF member.

Pillar 1

For tax authorities, there should be some increase in tax revenue from amount expected to be reallocated to GCC.

For MNEs headquartered in the GCC, their ETR is likely to increase given the current no/low tax CIT in most of the GCC states. However, this is unlikely to apply to many MNEs (if any!) based in the GCC given the high Euro 20b turnover threshold under Pillar 1.

Pillar 2

The impact will depend on the tax policy choices to be made by the governments. If a ‘do nothing’ approach is followed, no changes are expected to the tax revenue of the GCC states.
Changes to tax local groups (*whether at full scale or limited to groups with turnover > Euro 750m*) will increase the tax revenue.

Most large business doing businesses in / with the GCC could be significantly impacted by Pillar 2. This is irrespective of whether GCC governments adopt Pillar 2 into local legislation.

Will the GCC expand its current limited CIT regime?

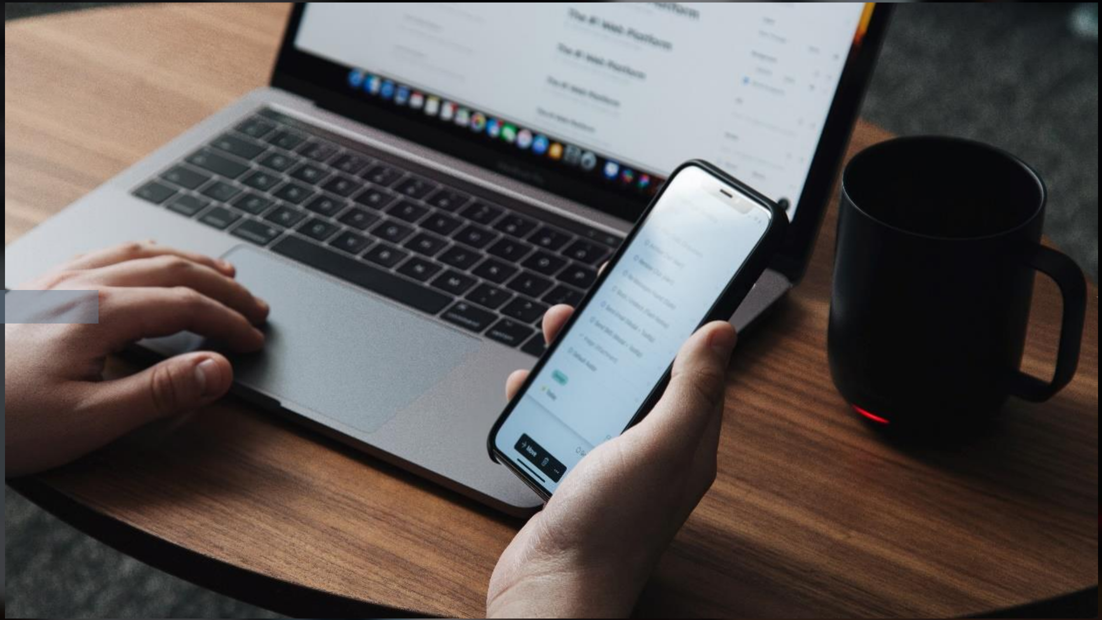
GLOBAL TAX REFORM BEPS 2.0 - WHAT IS THE IMPACT

Panel Discussion

Brian Conn – BDO UAE

Ross Robertson – BDO UK
Ridha Hamzaoui - IBFD
Rami Alhadhrami – BDO Kuwait
Ashish Athavale – BDO UAE, Bahrain & Oman

E-INVOICING



E-invoicing implementation journey:

1 **On September 17, 2020**, the draft of E-invoicing regulation was published to solicit the opinions and suggestions of the tax community.

2 **On December 4, 2020**, the implementing regulation for E-invoicing were issued by the decision of the Zakat, Tax and Customs Authority Council No. 2-6-20 dated 4/4/1442 AH, corresponding to 11/19/2020 AD, which was published in Umm Al-Qura newspaper on 4/19/ 1442 AH corresponding to 4/12/2020 AD, Issue No. 4860.

3 Those subject to the provisions of the implementing regulation for E-invoicing was given a grace period of **12 months** from the date of publishing the regulation to get ready and prepare their electronic systems for issuing and keeping E-invoicing and E-notes as of 4/12/2021.

4 **On May 28, 2021**, the authority's governor's decision regarding controls, requirements, technical specifications and procedural rules necessary to implement the provisions of the E-invoicing regulation for the first and second phases was published (on the authority's website).

5 **December 4, 2021**, all those who are subject to the provisions of the E-invoicing implementing regulations will be required to issue, maintain and amend E-invoices for the first phase (issue phase).

6 **January 1, 2023**, the commitment to link and integrate with the authority's systems for those who subject to the E-invoicing regulation will begin in stages for each category for the second phase (the linking and integration phase).

7 With regard to the phase of linking and integration, which will start from **January 1, 2023** AD, the authority will later, and at least six (6) months before this date, identify and notify the target groups of applying the procedures for linking with the authority's systems as well as the stages of implementation.

8 The authority issued a simplified guide to the requirements of E-invoicing (FATOORA), the first phase, as well as the most common questions for the requirements of E-invoicing.

Basic concepts of the E-invoicing system

E-invoicing system:

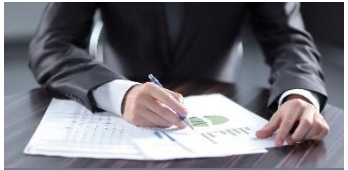
It is a procedure that aims to transform the process of issuing invoices and paper notices into an electronic process that allows the exchange of invoices and related notices and processing them in an electronic format organized between the seller and the buyer in an integrated electronic format.

Tax Invoice:

It is the invoice that is often issued from one business to another business (B2B), and it contains all the elements of the tax invoice.

Simplified Tax Invoice:

The invoice that is often issued from a business to the end consumer (B2C), and contains the main elements of a simplified tax invoice.



E-invoicing definition:

A tax invoice that is generated in a structured electronic format through electronic means. A paper invoice that is converted into an electronic format through copying, scanning, or any other method is not considered an electronic invoice for the purposes of the Regulation.
The concept of electronic invoice applies to both the tax invoice and the simplified tax invoice.

Electronic Notes:

Debit and credit notes must be issued in accordance with the VAT Law and its Implementing Regulation, and which are issued in a structured electronic format through electronic means. Paper notes that are converted into an electronic format through copying, scanning, or any other method, do not consider electronic notes for the purposes of the Regulations.

Transactions subject to and not subject to the provisions of the E-invoicing regulation:

Transactions subject to E-invoicing:

- Supplies of taxable goods and services, either they are subject to the standard VAT rate or Zero rate;
- Export of goods and services from the Kingdom;
- Intra-GCC supplies in accordance with the Unified VAT Agreement, VAT Law and the VAT Implementing Regulation;
- Nominal supplies by the taxable person in accordance with the Unified VAT Agreement, VAT Law and VAT Implementing Regulation;
- Any payments related to the supply of goods or services and received by the taxable person before the actual supply.

Transactions not subject to E-invoicing:

- Supplies fully exempted from VAT.
- Any payments related to supplies fully exempted from VAT and received by a taxable person before such supply.
- Supplies subject to VAT according to the Reverse Charge Mechanism.
- Import of goods to the Kingdom.

Taxpayers subject to the E-invoicing regulation

The taxable person that is a resident in the Kingdom.

The customer or any third party that issues a tax invoice on behalf of the taxable person that is a resident in the Kingdom according to the VAT Implementing Regulation.

Persons who are not resident in the Kingdom are not required to issue Electronic Invoices or Electronic Notes for supplies or amounts received which are subject to tax in the Kingdom.

E-invoicing controls, requirements and technical specifications

Scope of the application:

1st phase

The Generation of Electronic Invoices and Electronic Notes Phase, including provisions related to its processing, and record keeping of Electronic Invoices and Electronic Notes, which is applied to all Persons subject to the E-Invoicing Regulation effective 4th of December 2021.

2nd phase

The Integration Phase on the transmission of Electronic Invoices and Electronic Notes, and sharing them with the Authority, which shall be applied to all Persons subject to the E-Invoicing Regulation in phases starting from 1st of January 2023, and according to the timelines to be determined pursuant to Clause (Sixth) of this Resolution.

The authority emphasized that the electronic invoices and electronic notes issued will be considered only for the purpose of exercising the right to deduction within tax returns.

Requirements and details for issuing electronic invoices and electronic notes

The Electronic Invoices and Electronic Notes should be generated in a format that must be compliant with the requirements and details specified in Annexes (1) and (2) from requirements resolution, and in accordance with the timelines specified for the application of these requirements and details, subject to the following:

All Electronic Invoices, whether they represent Tax Invoice or Simplified Tax Invoice, and their associated Electronic Notes, must be generated in XML format or PDF/A-3 format (with embedded XML).

Electronic Invoices and their associated Electronic Notes shall contain "a Cryptographic Stamp" a cryptographic Stamp means an electronic stamp which is created via cryptographic algorithms to ensure the authenticity of origin and integrity of the content of the data of the Electronic Invoices and their associated Electronic Notes, and to ensure verification of the identity of the issuer of those Invoices and Notes.

Here it is necessary to clarify who is responsible for putting the Cryptographic stamp on the electronic invoice.

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Requirements and details for issuing electronic invoices and electronic notes:

1st With regard to tax invoices and related notes issued electronically:

The Authority shall - starting from the date which will be determined to oblige the persons subject to E-Invoicing Regulation to integrate with the Authority’s systems, to insert the Cryptographic Stamp only on the Invoices and Notes which fulfill the aforesaid controls and details, this constitutes an approval of these tax invoices and related notices (Clearance), as well as notify the issuers of such Invoices and Notes prior to sharing them with the customers.

2nd With regard to simplified tax invoices and related notices issued electronically:

Must be reported to the Authority within a period which must not exceed (24) hours from its generation (Reporting) in accordance with the mechanism determined by the authority- starting from the date which will be determined by the Authority to oblige the persons subject to E-Invoicing Regulation to integrate with the Authority’s systems. The Authority has the power to revise, amend such mechanisms as well as ensure the adherence of the persons subject to E-Invoicing Regulation to it.

Electronic notifications must meet the requirements stipulated in Article (54) of the implementing regulations for the Value Added Tax system.

Specifications and requirements of technical solutions used in the issuance of electronic invoices and electronic notices

A technical solution is considered "in conformity with the specifications and requirements" after verifying that it complies with all those specifications and requirements:

- Through the Authority
- Through a third party
- By the person subject to the provisions of the E-invoicing regulation

This is according to the verification mechanism and requirements set by the authority.

A. Electronic Invoices and Electronic Notes' formats and its sharing mechanism with customers:

1. The Compliant E-Invoice solution must be able to generate invoices and their associated notes in the XML format or PDF/A-3 format (with embedded XML).
2. Persons subject to E-Invoicing Regulation must share the E-Invoice, or its associated Notes that have been electronically generated with customers.
3. Persons subject to E-Invoicing Regulation must present to their customers a printed copy of the Simplified Tax Invoice or its associated Notes that have been generated electronically, such Simplified Tax Invoice or its associated Notes- upon the agreement between the transaction parties-may also be shared with customers in its electronic format or any other human readable format with customers.

B. Content of Electronic Invoices and Electronic Notices:

The Compliant E-Invoice solution must be able to generate Electronic Invoices and Electronic Notes which include all the data fields required in addition to all requirements and other details specified in this Resolution and Annexes (1) and (2) according to its type or nature.

Specifications and requirements of technical solutions used in the issuance of electronic invoices and electronic notices

C. Data and Information Security Requirements:

The technical solution that conforms to the specifications and requirements must be:

1. Tamper-resistant and include a mechanism, which prevents tampering and reveals any tampering attempts that might occur by the user or any third party.
2. able to protect the generated Electronic Invoices and Electronic Notes from alteration or deletion, and contain some functionalities which enable the person subject to E-invoicing Regulation to save Electronic Invoices and Electronic Notes and archive them in the format as specified in Annexes (1) and (2) from requirements Resolution without the need for internet connection.
3. Able to generate a Universally Unique Identifier (UUID) in addition to the Electronic Invoice sequential number which identifies and distinguishes each VAT Tax Invoice, Simplified Tax Invoice, and their associated notes.
4. Able to generate a Cryptographic Stamp with an identifier for each Electronic Invoice or Electronic Note (simplified invoice only).
5. Able to create a Hash for each electronic invoice or electronic note within the sequence of electronic invoices, and a Hash from previous invoices for subsequent invoices is included in that sequence to connect invoices and notes within the sequence to prevent the return to the original data or amending or tampering it.
6. Generate a QR code which is a type of matrix barcode, that can be readable by QR scanner or smart devices’ camera in order to enable basic validation of Electronic Invoices and Electronic Notes (Referred to as “QR Code”).
7. Tamper-resistant Electronic Invoice counter and can’t be able to:
   - reset.
   - reformatted.
   - tampering.

The reading of that counter must be increased with each electronic invoice or electronic note issued.
Accordingly, the reading of this counter must record on each electronic invoice or electronic note associated with its field provided in Annex (2).

Specifications and requirements of technical solutions used in the issuance of electronic invoices and electronic notices

D. Integration requirements :

1. The approved formats for all Electronic Invoices and Electronic Notes for Integration shall be XML format.
2. The Compliant E-Invoice solution must be able to connect to an internet connection and integrate with external systems by using Application Programming Interface (API).

E. Prohibited functionalities:

The technical solution used in issuing invoices and electronic notes may not include or enable any of the specifications and characteristics are shown in the following table:

Prohibited Functionalities	Description	Enforced by 4th December 2021	Enforced by 1st June 2023
Uncontrolled access	▸ Anonymous access ▸ Ability to operate with default password. ▸ Absence of user session management.	X	
Tampering of e-invoices or their associated notes or logs	▸ Allow alteration or deletion of generated e-invoices or their associated notes. ▸ Allows for log modification/deletion. ▸ Generated with inaccurate timestamps. ▸ Non-sequential log generation. ▸ Invoice counter reset.	X	
Multiple invoice sequences	▸ Allowability to generate more than one invoice sequence at any given time.	X	
Export of stamping keys	▸ Provide an option to export cryptographic stamp stamping key.		X
Time change	▸ Allow software time changes ▸ Allow modification of timestamp value during invoice or note issuing.		X

Integration

Requirements	1st phase 4th December	2nd phase From 1st January 2023 in stages
Install or update the invoices system (stop issuing handwritten invoices)	√	√
Adding a QR code to the invoice.	√*	√**
Adding the VAT registration number of the customer if he is registered for VAT***	√	√
Issuance of invoice in (XML, PDF/A-3) format	Optional	√
Tamper-prevention properties (example: cryptographic function, digital stamp)	Optional	√
Other 'technical Properties (example: UUID)	Optional	√
Integrating with the Authority's systems	Doesn’t apply****	√

* Mandatory on the simplified tax invoice starting from the “first” phase.
**Mandatory on the tax invoice starting from the second phase.
***Mandatory on the tax invoice only from the first phase.
****The entity can be prepared for the requirements of electronic invoicing (Fatoorah), and there will be no connection before January 2023.

Integration

The Integration phases implementation, transmission of Electronic Invoices and Electronic Notes, and sharing them with the Authority, shall be implemented through phases starting from 1st of January 2023, as follows:

1st step

The Authority will determine the targeted groups and phases of Integration for the persons subject to E-Invoicing Regulation.

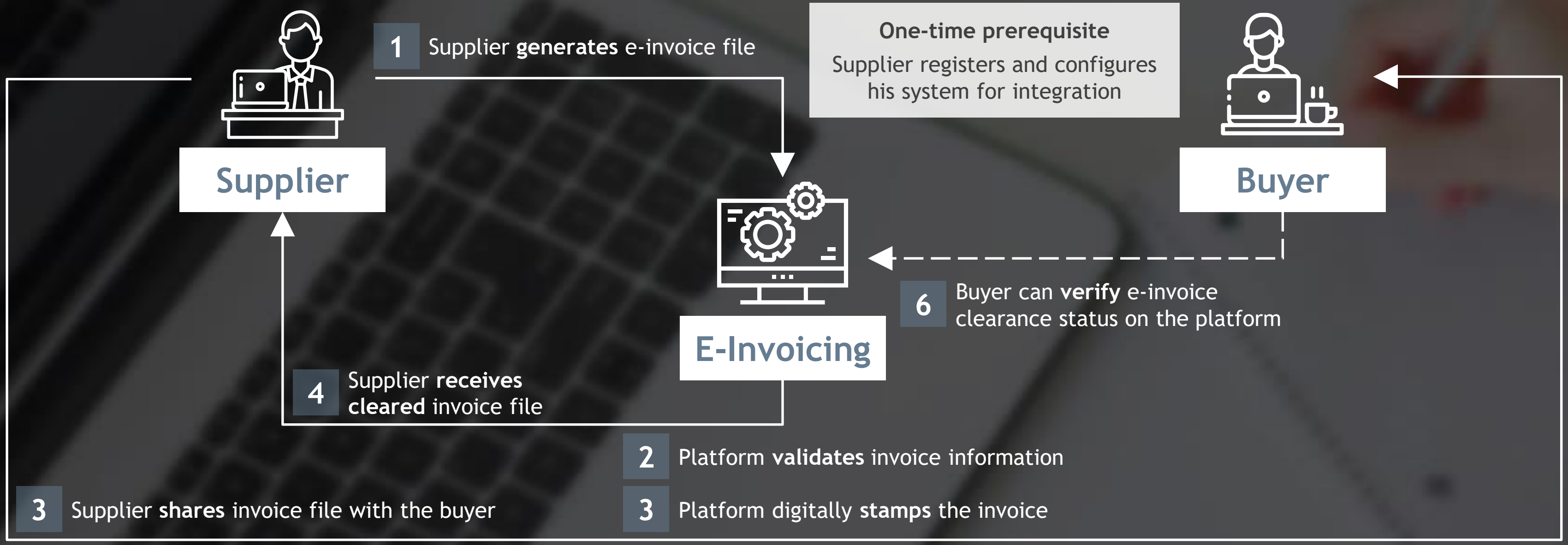
2nd step

The Authority will notify each target group with the implementation procedures for the integration with its systems at least (6) months prior to the due date.

Persons subject to the E-Invoicing Regulation must integrate their systems with the Authority’s systems by using an Application Programming Interface “API” in accordance with the timelines, targeted groups, and implementation phases of Integration with the Authority’s systems.

Integration

Generation process of e-invoice diagram:



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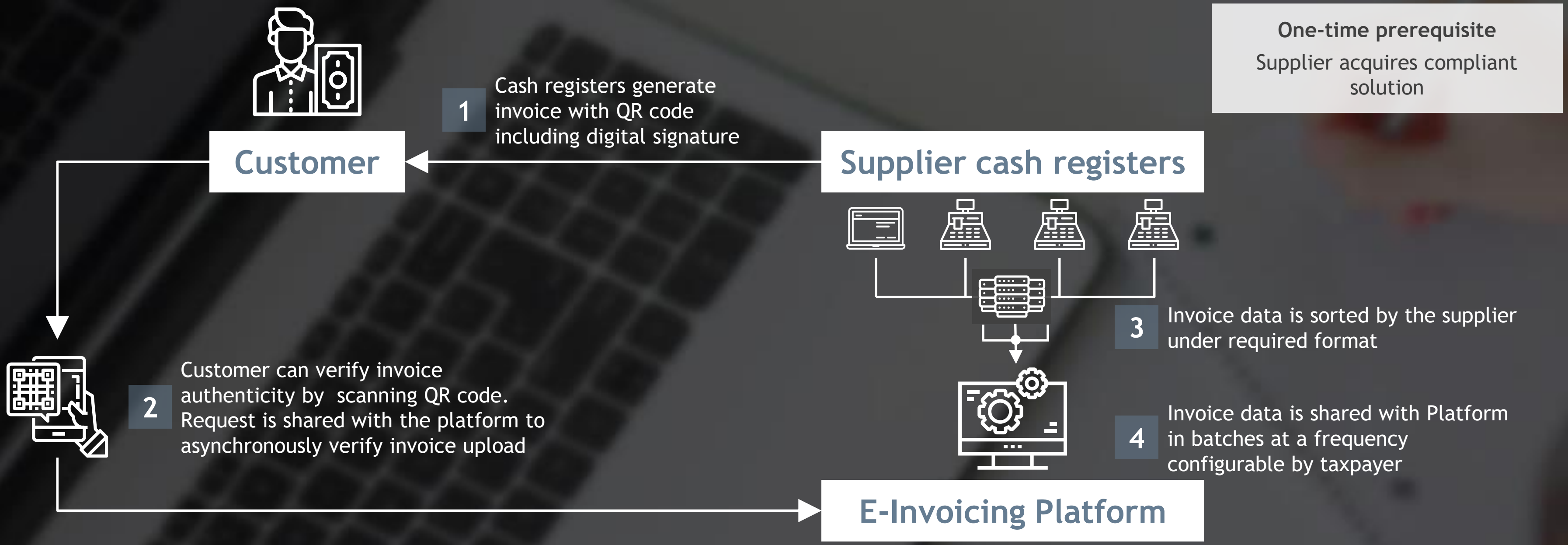
Integration

Generation process of simplified e-invoice diagram:



Technical Requirements of E-invoice Generation Solutions

Technical Functionalities mandated by 4th December 2021:

Requirements	Description
Types of Invoices and Notes	Ability to generate the main types of e-invoices and notes: ▸ Tax Invoice and associated Credit/Debit Note. ▸ Simplified Tax Invoice and associated Credit/Debit Note.
Invoice and Credit/Debit Note Format	No required format as long as the required data are present in the invoices and notes.
Invoice and Credit/Debit Note Structure	▸ E-invoices and associated notes must contain all the mandated fields by GAZT as specified in Annex 2 as per the enforcement timelines. ▸ E-invoices and associated notes must comply with the business rules assigned to the conditional fields, and comply with the field content validations (allowable values). ▸ E-invoices and associated notes should be time-stamped.
Data Processing & Security	▸ Enable taxpayer to export e-invoices and associated notes to offline local archival. ▸ E-invoice generation solution unit locks or tampers evidence mechanisms (Simplified Tax Invoices only and their associated notes).
Data Storage	Ability to export generated invoices and associated notes into an external archival system.

QR Code

For Simplified Electronic Invoices and associated Notes, it is mandatory to generate and print QR code that must contain the following:

ID	Field
1	Seller's name
2	VAT registration number of the seller
3	Time stamp of the invoice or note (time and data)
4	Invoice or note total (with VAT)
5	VAT total

QR Code

Additional Technical Functionalities mandated by 1st January 2023:

Additional Requirements	Description
Invoice and Credit/Debit Note Format	XML (mandated for Electronic Invoice and Credit/Debit Notes generation and transmission) based on ZATCA's specifications and requirements. ▸ PDF/A-3 with an embedded XML file (optional human readable format for sharing the invoice or the note with the customer)
Invoice and Credit/Debit Note Structure	▸ E-invoices and associated Notes must contain all the mandated fields by GAZT as specified in Annex 2 as per the enforcement timelines. ▸ E-invoices and associated notes must comply with the business rules assigned to the conditional fields, and comply with the field content validations (allowable values).
Data Processing & Security	▸ Generate a unique ID (UUID) for each e-invoice or associated note. ▸ Tamper-resistant counter that increments for each invoice and note issued.
Cryptographic Stamp (Simplified Tax Invoices only and its associated Notes)	▸ Each electronic invoicing system that generates Simplified Tax Invoices and its associated Notes must have a unique cryptographic stamp identifier that will be used to apply a cryptographic stamp on each Simplified Tax Invoice and its associated Note. ▸ Each Simplified Tax Invoice and its associated Note must have a cryptographic stamp. ▸ The cryptographic stamp identifier will be issued and managed through the Authority's portal. Taxpayers shall login to the Authority's portal using their current accounts in order to request and manage cryptographic stamp identifiers for their Electronic Invoice Solutions. ▸ Generation of the Stamping Key associated with the cryptographic stamp identifier. ▸ A new stamping key shall be generated upon Cryptographic Stamp Identifier renewal. ▸ Stamping key should be marked as non-exportable so that it cannot be exported out of the security module. ▸ Disk encryption shall be used for the E-Invoice Solution to protect the stamping key in case of using software to store that key.
Additional Cryptographic Capabilities	Ability to use standard Secure Hashing Algorithms
Universally Unique Identifiers (UUID)	The UUID is a 128-bit number, generated by an algorithm chosen to make it unlikely that the same identifier will be generated by anyone else in the known universe using the same algorithm.
Connectivity	Able to establish an encrypted and authenticated connection (such as TLS) over the internet ▸ Ability to periodically upload e-invoices and their associated notes in batch to external API (Simplified Tax Invoice only and the associated notes) ▸ Ability to submit invoices and their associated notes in real-time and receive a response (Electronic Tax Invoice only and the associated notes) ▸ In case the solution is offline, e-invoices and any associated notes are queued, and solution remains operational, invoices and notes are reported after the connection re-established

QR

For all types of Electronic Invoices and Electronic Notes, it is mandatory to generate and print QR code that must contain the following fields:

ID	Field
1	Seller’s name
2	VAT registration number of the seller
3	Time stamp of the invoice or note (date and time)
4	Electronic Invoice or Credit/Debit note amount (with VAT)
5	VAT amount
6	Hash of XML Electronic Invoice or Credit/Debit Note
7	Cryptographic stamp
8	The public key used to generate the Cryptographic stamp
9	In the case of Simplified Tax Invoices and their associated notes, the Authority’s Portal Cryptographic stamp of the public key of the E-Invoice Solution

- For Simplified Tax Invoices and their associated notes, the stamp is generated by the E-Invoice Generating Solution
- For Tax Invoices and their associated notes that are integrated with ZATCA’s platform, the stamp is generated by ZATCA’s platform

- For Simplified Tax Invoices and their associated notes, this is the public key of the E-Invoice Generating Solution.
- For Tax Invoices and their associated notes that are integrated with ZATCA’s platform, this field is optional and is the public key of ZATCA’s platform.

Obligations of persons subject to the electronic invoicing regulation

In addition to all the obligations referred to in the e-invoice regulations and resolution, all taxpayers must comply with the follows:

Notify the Authority through the means specified by the Authority of any incidents, technical error or emergency matters which hinder the generation of Electronic Invoices or Electronic Notes, or hinder the integration of E-Invoicing, and notify the Authority in the event of the disappearance of such incident, technical error or emergency matter.

Persons Subject to the E-Invoicing Regulation shall resume generation of Tax Invoices and associated Notes, and any Invoices or Notes for Transactions conducted during such incidents, technical error or emergency matters electronically, and integrate them with the Authority according to Integration obligations promptly.

Register the units used to issue simplified tax invoices and related notices within the technical solution used with the Authority, in accordance with the mechanisms and controls.

Preserving the identification code specified for the encryption seals and the associated components in a secure manner, protecting them from illegal copying or use, and not using them for purposes other than those for which they were intended.

Final Provisions

1

The Authority may authorize one or more entities to do the following:

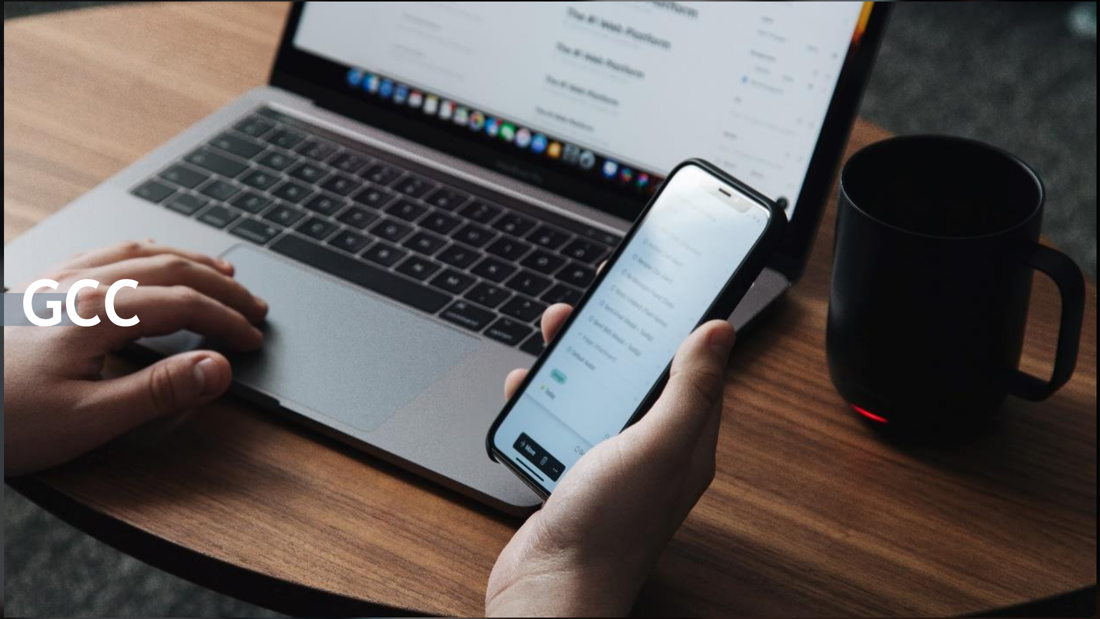
- perform the verification procedures for the E-Invoice Generation Solution in order to ensure its conformity to the specifications and requirements
- verify the fulfillment of the requirements and mechanisms for issuing Cryptographic Stamps (simplified invoice only).

2

Penalties and fines set forth under the VAT Law shall be applied on persons violating the E-Invoicing Regulation and its Resolution, according to the violation's classifications specified in the relevant Board of Directors' resolutions.

THANK YOU

TRANSFER PRICING GCC



Background

Understanding BEPS

- BEPS evolution
  - Aggressive tax planning adopted by multinational Enterprises (MNEs)
  - Using the tax mismatches and differential treatment under the domestic laws to their advantage
  - Leading to opportunities for the MNEs to structure their operations in a way to reduce the overall tax for the group
  - Virtually, resulting in erosion of tax base by shifting of profits from high tax to low / no tax jurisdictions
- To address this issue, Organization for Economic Co-operation and Development (OECD) and G20 countries adopted 15 action points in the form of BEPS Project and released the final reports in October 2015.
- The Package provides 15 Actions that equip governments with guidance and framework needed to tackle BEPS.

BEPS & Regulations in GCC Region

October - December 2017	May 2018	June 2018	September 2018	December 2018	January – March 2019	April 2019	June 2019	August – December 2019	July 2020	September 2020	February 2021
▪ Oman and Qatar join OECD inclusive framework on BEPS ▪ Qatar signs OECD's MCAA for automatic exchange of CbCR	▪ UAE and Bahrain join OECD inclusive framework on BEPS	▪ UAE signs the MCAA for automatic exchange of CbCR	▪ Qatar publishes new CbCR requirements	▪ KSA transfer pricing formal regulations were anticipated by Q4 2018.	▪ KSA publishes TP Bylaws & FAQs ▪ KSA publishes TP guidelines	▪ UAE Ministry of Finance through the Cabinet Resolution No. 32 of 2019 issues Country-by-Country Reporting requirements	▪ Qatar's General Tax Authority reinstates CbC obligations	▪ KSA signs OECD's MCAA for automatic exchange of CbCR ▪ Bahrain signs OECD's MCAA for automatic exchange of CbCR ▪ Qatar published executive Regs to ITL outlining TP requirements	▪ Oman signs OECD's MCAA for automatic exchange of CbCR	▪ Oman introduced, Country-by-Country (CbC) Reporting (CbCR) requirements through Tax Authority Decision No. 79/2020 (TA Decision 79/2020).	▪ Bahrain issued Ministerial Decision No. 28 of 2021, which introduces CbCR rules for MNE groups.

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TP Regulations across GCC Region

Country	TP Return / Disclosure form	Local File	Master File	CbCR	BEPS Inclusive framework
Bahrain	✗	✗	✗	✓	✓
Kuwait	✗	✗	✗	✗	✗
Oman	✗	✗	✗	✓	✓
Qatar	✓	✓	✓	✓	✓
KSA	✓	✓	✓	✓	✓
UAE	✗	✗	✗	✓	✓

KSA full-fledged TP documentation

Disclosure Form	Affidavit	Local File	Master File	CbCR
Along with tax return	Registered Auditor	Detailed analysis & report of taxpayer	Blueprint Group TP policy	Notification & Report
Annually	Annually	Once every 3 years*	Once every 3 years*	Filed Annually*

TP developments in KSA

- Provisions under the existing KSA Income Tax Law since 2005:
  - Article 63: Anti Tax-Avoidance Procedures
  - Article 64 : Related Persons and Persons under Common Control
- Introduces regulations in 2018 – Becomes the first GCC country to formally introduce full-fledged TP regulations
- February 2019 - Final TP bylaws & FAQ are issued
- March 2019 – KSA Transfer pricing guidelines are released
- April 2019 – Taxpayers filed DFCT, Affidavit and CbC notification (along with return) for the first time
- December 2019 – ZATCA (formerly GAZT) launches AEOI for CbCR filings
- June 2020 – Second edition of TP Guidelines are issued
- 2H (2020) – Assessments from ZATCA related to TP documentation*
- April 2021 - Taxpayers have completed their third year of TP compliance

Transfer pricing controversies & challenges

Key risk factors identified for audit

- Significant transactions with low tax jurisdictions;
- Transfers of intellectual property to Related Person;
- Business restructurings;
- Specific types of Related Person payments (Intra-group charges);
- Continuous losses;
- Lack or non-existent TP documentation;
- Excessive debt;
- Among others.

Recommendations

Prospective TP analyses/Rulings

Focus on Robust Supporting Documentation

Transfer Pricing Risk Management

Timely manner review and compliance

Keeping track of Global perspective & Developments

Agility to adapt to changes/TP policies

THANK YOU

UPDATE ON THE IMPLEMENTATION OF VAT IN OMAN

BDO

VAT Updates in Oman & Region

1. **Issues with Phased implementation -** Oman has opted to implement VAT in phased manner like that of KSA & Bahrain in the following manner:

Particulars	Annual Supplies	Registration deadline	Effective Date of VAT registration
Phase 1	Above 1,000,000 OMR	1 February 2021 to 15 March 2021	16 April 2021
Phase 2	500,000 OMR to 1,000,000 OMR	1 April 2021 to 31 May 2021	1 July 2021
Phase 3	250,000 OMR to 499,999 OMR	1 July 2021 to 31 August 2021	1 October 2021
Phase 4	38,500 OMR to 249,999 OMR	1 December 2021 to 28 February 2022	1 April 2022

2. **Issues for registering non-residents -** local responsible person & local bank account
3. **VAT registration for individuals -** renting commercial property
4. **Requirement of filing Tax Payer checklist -** for carry forward of input VAT credit
5. **Import VAT deferral** on submission of bank guarantee
6. **VAT implementation update in Qatar and Kuwait** – concept of implementing states on hold

THANK YOU