

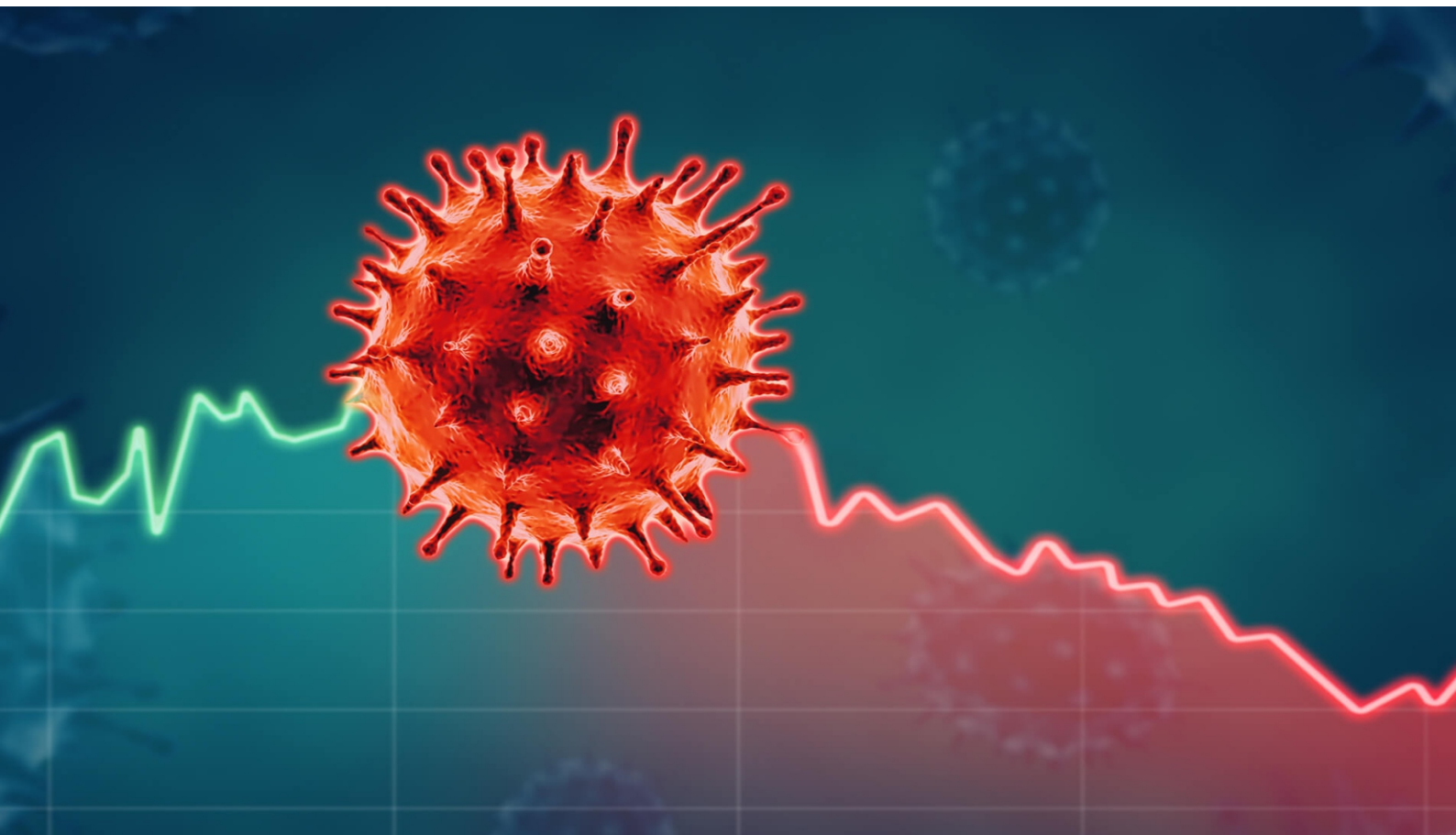
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Package Scheme of Incentives to combat COVID-19

GCC Countries

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AURIFER



Package Scheme of Incentives to combat COVID-19

The sharp incline in COVID-19 cases has seen many countries reaching to the point of lockdowns and curfews. While the health and safety of the people are of utmost importance for the governments, balancing the economic disruption during such a crisis is also one of the key concerns. With the primary resources being diverted to contain the pandemic, governments are also conscious that the liquidity for businesses is maintained to ensure the continuity of business. A range of tax policy and tax administration measures could be considered by governments to grant relief to the businesses.

The OECD in this regard published a paper on 'Emergency tax policy responses to the COVID-19 pandemic' on 20 March 2020 which describes certain measures which can be introduced by the policymakers as they respond to the current crisis in their own national context. A few notable policy initiatives suggested in this paper are:

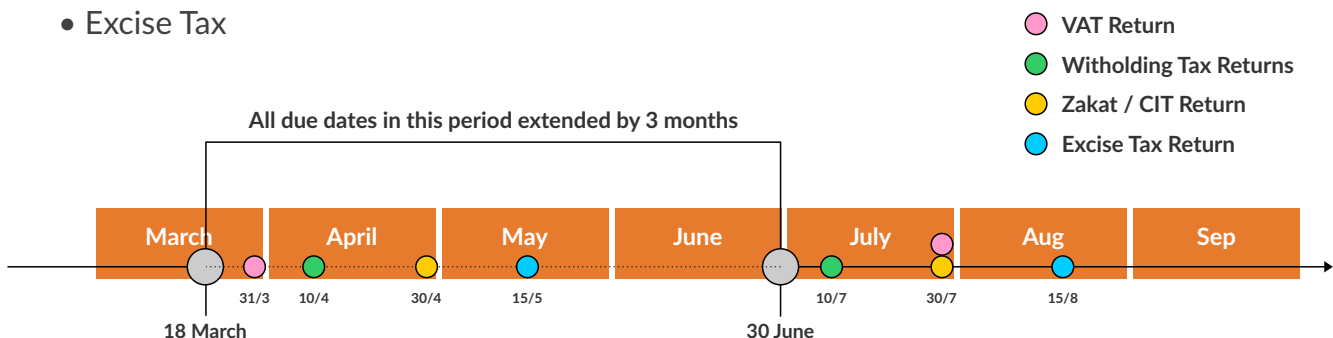
- ▶ Providing tax concessions for workers in health and other emergency-related sectors
- ▶ Simplifying procedures for claiming relief from VAT on bad debts
- ▶ Increasing the generosity of loss carry-forward provisions
- ▶ Speeding up refunds of excess input VAT

This document covers the tax policy and administrative measures introduced by the GCC countries to combat COVID-19 crisis.

Measures introduced by the Kingdom of Saudi Arabia (KSA)

KSA has introduced several tax administrative measures considering the recent spread of the novel Coronavirus. The key highlights are:

- ▶ The local tax authority, the General Authority for Zakat and Tax (GAZT) has extended all tax-related due dates for three months for the period commencing from 18 March 2020 to 30 June 2020 ('initiative period'). (See Table 1 below)
- ▶ The extension of due dates relates to the filing of the tax return that covers the following taxes -
 - Zakat and Corporate Income Tax
 - Withholding tax
 - Value Added Tax
 - Excise Tax



- ▶ The below table illustrates the effect of extension of due dates during the initiative period.

Table 1: Extension of tax due dates during the initiative period

Relevant Tax	Tax period	Due date	Extended due date
Zakat / Corporate Income Tax	Fiscal year ended 31 December 2019	30 April 2020	31 July 2020
Withholding Tax	March 2020	10 April 2020	10 July 2020
Withholding Tax	April 2020	10 May 2020	10 August 2020
Withholding Tax	May 2020	10 June 2020	10 September 2020
Value Added Tax	1 January 2020 to 31 March 2020	30 April 2020	31 July 2020
Value Added Tax	February 2020	31 March 2020	30 June 2020
Value Added Tax	March 2020	30 April 2020	31 July 2020
Value Added Tax	April 2020	31 May 2020	31 August 2020
Value Added Tax	May 2020	30 June 2020	30 September 2020
Excise Tax	1 March 2020 to 30 April 2020	15 May 2020	15 August 2020

- ▶ Suspension of fines resulting from the delay in submitting declarations and related payments of all types during the initiative period.
- ▶ Suspension of the fines for non-cooperation of the taxpayer and for examination during the initiative period.
- ▶ Suspension of the requirement to submit bank guarantees to the GAZT.
- ▶ Suspension of fines for late payment of instalments during the initiative period.
- ▶ Temporary deferment of VAT payable to the Customs Authority at the first point of entry through the VAT return of the period which relates to the imports. The temporary deferral of VAT is only permissible for import of goods made by a tax registrant for its economic activities.
- ▶ Temporary deferral of Excise tax payable to the Customs Authority on import of excisable goods on the condition of payment of Excise tax and submission of a temporary declaration on the due dates mentioned in table 1 below.
- ▶ Removal of all restrictions imposed for issuance of Corporate income tax and Zakat certificates for the fiscal year 2019.
- ▶ GAZT to expedite the payment of refunds due to taxpayers.
- ▶ Deferring the collection of customs duties on imports for a period of thirty days against the submission of a bank guarantee for the next three months.

- ▶ GAZT announced a tax amnesty (Voluntary Disclosure Initiative) for income tax, withholding tax, VAT and excise tax. The tax amnesty is applicable during the initiative period and the Voluntary Disclosures can only be made during this period.
- ▶ GAZT will exempt any penalties on the amount owed from the due date on non-submitted or amended declarations during the initiative period.
- ▶ Situations which can benefit from the initiative are, amongst others:
 - A registered person who has not filed any VAT or income tax returns can submit all VAT and income tax returns due.
 - Wrong values submitted in tax returns.
 - Late returns submitted.
 - Withholding taxes on services received which have been previously unaccounted for.
 - Companies which failed to register for VAT purposes (e.g. Non-resident suppliers supplying B2C service in the KSA).
- ▶ Individuals required to get registered and failed to do so

**Penalties to be cancelled during the initiative period
(18 Mar 2020 - 30 June 2020)**

VAT		EXCISE TAX		INCOME TAX & WHT	
No registration	SAR 10,000	No declaration	5%-25% of tax value to be declared	No registration	SAR 1,000 to 10,000
Wrong declaration	50% of difference between calculated and due tax	Late payment	5% of unpaid tax every month in which tax is unpaid	Late payment	1% of unpaid tax for every 30 days of delay
Delayed submission	5%-25% of tax value to be declared			Delayed submission	1% of revenue less than SAR 20,000 5%-20% of unpaid tax for delays up to 365 days 25% of unpaid tax for delays more than 365 days
Late payment	5% of unpaid tax every month in which tax is unpaid				

Measures introduced by the United Arab Emirates (UAE)

The UAE Federal Government have launched certain economic measures for the country. However, tax incentive measures are also introduced by individual Emirates such as the Emirates of Dubai and Abu Dhabi.

The UAE's local tax authority, the Federal Tax Authority did not take any specific measures related to the current crisis.

Below are the key highlights of the economic and tax measures introduced by Dubai:

- ▶ Dubai customs implemented the following measures that apply during the period starting from 15 March 2020 to 30 June 2020:

- Refund of 20% of the Customs duty paid on goods (liable to 5% duty) imported that are sold locally.
- Cash or Bank guarantee (AED 50,000) required to undertake customs broker activity will be revoked. Existing guarantees deposited by the brokers and the clearing companies will be refunded.
- Exemption from the berthing service fees, direct and indirect loading fees imposed on traditional wooden commercial vessels registered in the country at Dubai Creek and Hamriyah Port.

- ▶ The Federal Tax Authority has extended the Excise Tax and VAT payment and Return filing dates as under:

Nature of Tax	Tax Period	Due Date of tax payment and return	Revised Due Date of payment and Return
Excise Tax	March 2020	15 April 2020	17 May 2020
Value Added Tax	Ending on 31 March 2020	28 April 2020	28 May 2020

- ▶ In addition to the above, a stimulus package was announced by the Dubai Free-Zone Council which includes:

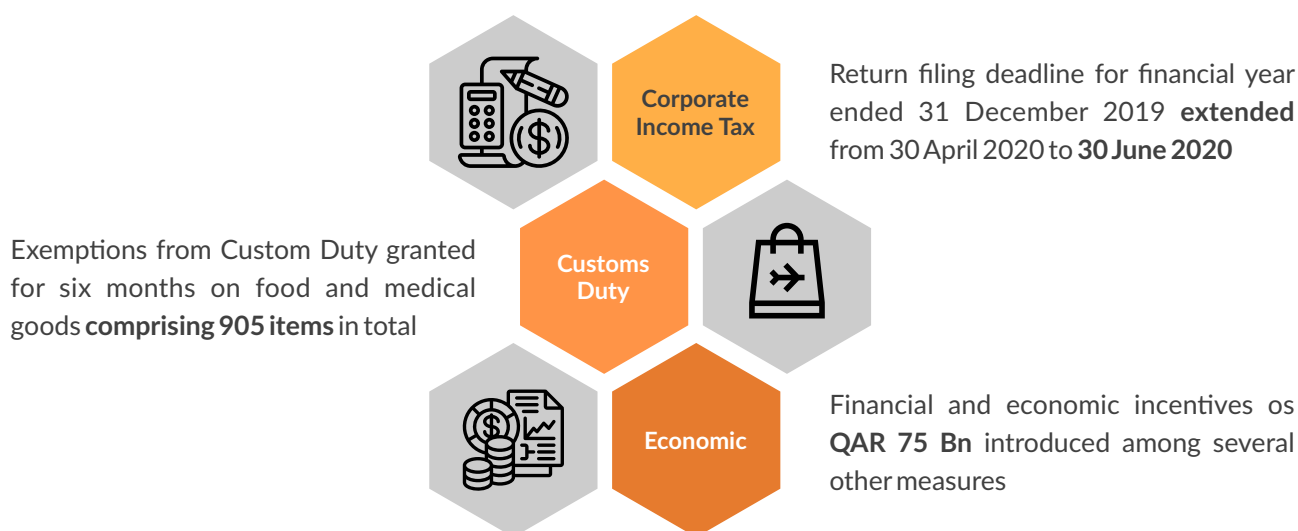
- Postponement of rent payments for up to 6 month
- Facilitation of financial payments through easy monthly instalments
- Refund of various security deposits and guarantees claims
- Cancellation of fines for companies and individuals
- Permitting temporary contracts to facilitate the free movement of labour for the rest of the year

In addition to the above, following Free Zones have postponed the deadline for submitting the Economic Substance notification:

Free Zone	Due date	Revised due date
Ajman Free Zone	30 June 2020	Not declared
DIFC: Dubai International Financial Centre	31 March 2020	Postponed (Due date to be declared)
ADGM: Abu Dhabi Global Market	31 March 2020	Postponed (Due date to be declared)
RAK ICC: RAK International Corporate Centre	30 June 2020	Not declared
DAFZA	3 May 2020	31 May 2020

Measures introduced by Qatar

- ▶ The Supreme Committee for Crisis Management has announced certain economic and financial measures for businesses operating in Qatar as depicted below:



- ▶ COVID-19 tax measures by Qatar Financial Centre Authority

In order to reduce the economic impact of COVID-19, the Qatar Financial Centre Authority has issued a public notice, stating that the charges in case of late payment of tax (previously set at 5%), as well as the compensation applicable to a repayment of excess tax (previously set at 1%) will be temporarily suspended as from 1 March 2020 until 31 August 2020 (both rates are set at 0% during the aforementioned period).

As from 1 September 2020, both the late payment charge as well as the compensation will revert to their respective rates as implemented in the period before 1 March 2020 until further notice.

Measures introduced by the Kingdom of Bahrain (Bahrain)

In Bahrain, the Economic Substance Regulations reporting has been postponed to 30 June 2020 for those entities with a financial year end at 31 December 2019.

Measures introduced by the Sultanate of Oman

On 31 March 2020, the Oman Tax Authority announced the following relief measures to taxpayers affected by COVID-19:

- ▶ Taxpayers who have been adversely affected by the precautionary measures can benefit from a three month extension of filing tax returns and payment of any tax due. For example, for a taxpayer with a financial year ending 31 December 2019, the due date for filing provisional tax returns would generally be 31 March 2020, however, now the deadline will be extended to 30 June 2020.
- ▶ No fines and penalties will be levied on such taxpayers who cannot file their returns and pay the taxes within the prescribed due dates as a result of the precautionary measures imposed by the government in Oman to counter the COVID-19 pandemic.
- ▶ Any donations or contributions made by the taxpayers for the purpose of dealing with COVID-19 in Oman will be tax deductible, provided the taxpayer maintains sufficient proof of purpose for these contributions.
- ▶ Other measures include, flexible tax payment mechanisms, extension of timeline for filing objections against tax assessments and additional time to submit supporting documents and clarifications for ongoing objection proceedings.

The country-specific measures listed above are not exhaustive and there are certain other economic and financial measures that are introduced by these countries.