PKF UAE

UPDATE | VOL. 25, ISSUE 3, JULY 2023

FREEZONE OFFSHORE UPDATE

Offshore Companies in 2023 - Silver lining or Dark Cloud

PAGE 9

TAX UPDATE

VAT, Corporate Tax and Excise Updates

PAGE 6

Digital transformation - A business imperative

PAGE 2

A quarterly newsletter from PKF UAE and PKF Oman

Proudly part of the PKF Global network

OVER 40 YEARS IN THE UAE

pkfuae.com

In this issue

Our Vision

We will be the first choice for companies in their selection of professional advisors

Our Mission

We will provide quality service to our clients by focusing on client-specific needs and providing solutions to business problems, thereby adding value through expertise whilst maintaining integrity, professionalism and independence.

Dear Readers,

It is a great pleasure that we bring to you the third quarter newsletter, capturing the remarkable achievements that have unfolded in the United Arab Emirates (UAE). As we venture further in 2023, the UAE exemplifies a nation dedicated to progress, innovation and inclusive growth.

On 1 June 2023, the UAE officially joined the ranks of countries around the world that have corporate tax. While there was initial resistance to this change in business circles, most corporates have since then, warmed up to the commercial need for direct taxes in a growing economy.

The UAE's relentless pursuit of technological advancement has set it on the path to becoming Global tech hub. The Government's investment in cutting-edge technologies such as artificial intelligence, block chain & 5G infrastructure, has accelerated digital transformation across industries.

The Securities and Commodities Authority (SCA) has issued its long-awaited virtual asset regulations as part of an increasingly sophisticated regulatory landscape. The SCA, which regulates financial markets in 'onshore' UAE, issued its new regulations surrounding virtual asset transactions and service providers. It also officially announced that it will now start receiving license applications from companies wishing to provide virtual asset services. The new Virtual Asset Regulations set out a list of criteria for the 'accepted virtual assets' that the SCA will oversee. The 'accepted virtual assets' list reflects similar measures that were introduced by regulators in the DIFC and the ADGM.

The UAE's success story would be incomplete without highlighting its commitment to building an inclusive society that values diversity and empowers its citizen and residents alike.

The launch of numerous programs aimed at nurturing talent, empowering youth and fostering a sense of community exemplify the UAE's dedication to ensuring equal opportunity and high quality of life for all. The country's vision for the future encompasses innovation, sustainability and social progress.

This edition starts off with an inhouse article on Digital Transformation followed by an exhaustive interview with the impressive MD of IGR Metals -– Ms. Anna Dinzler. We also have important updates on UAE taxes and Oman VAT law and a topical zinger on the relevance of offshore companies in today's regulated world.

Do write to us (update@pkfuae.com) for expressing your opinion on any matter included in the newsletter.

Stany Pereira

Digital Transformation – A business imperative

Introduction

In today's fast-paced and technology driven world, digital transformation has become an imperative for businesses across industries. The rapid advancement of digital technologies and their integration into various aspects of operations has disrupted traditional business models and created new opportunities.

Digital transformation has disrupted numerous industries, transcending boundaries, and redefining traditional business models. In sectors like retail, e-commerce has reshaped shopping experiences enabling personalized recommendations, efficient supply chains, and seamless online transactions. In healthcare, telemedicine is revolutionizing patient care by offering remote consultation and improving accessibility. The financial sector has witnessed the rise of fintech empowering customers with convenient digital banking solutions. These examples illustrate how digital transformation can fuel innovation, increase productivity, and drive growth across diverse sectors.

This article explores the significance of digital transformation, its impact on businesses and why it is crucial for organizations to embrace this paradigm shift.

The changing business landscape

The digital revolution has fundamentally changed the way businesses operate, interact with customers, and deliver value. Customers are increasingly demanding seamless and personalized experiences forcing organizations to rethink their strategies. Digital transformation is the strategic response to this evolving landscape enabling businesses to leverage emerging technologies and stay competitive.

Enhancing operational efficiency

Digital transformation offers businesses the opportunity to streamline operations and improve efficiency. Through automation, process digitalization, and data-driven insights, organizations can optimize workflows, reduce manual errors, and enhance productivity. By eliminating redundant tasks, employees can focus on more value-added activities, fostering innovation and agility within the company.

Unleashing customer centricity

Digital transformation enables businesses to gain a deeper understanding of their customers and deliver personalized experiences. But by leveraging data analytics, companies can obtain insights into customer behavior, preferences, and pain points. This information allows organizations to tailor their products, services, and marketing efforts to meet individual customer needs. From personalized recommendation to targeted marketing campaigns, digital transformation empowers businesses to build stronger customer relationships and foster loyalty.

Embracing innovation and adaptability

Digital transformation is a catalyst for innovation, enabling organizations to embrace new technologies, business models, and their revenue streams. By fostering a culture of innovation, businesses can stay ahead of the curve and proactively respond to market changes. They can experiment with emerging technologies such as artificial intelligence, Internet of Things, blockchain unleashing new possibilities and driving industry disruptions.

Enabling data-driven decision making

In the digital era, data has become an asset for businesses. Digital transformation provides organizations with the tools and capabilities to collect analyze and leverage vast amount of data by harnessing advanced analytics and machine learning businesses can make data-driven decisions identify trends and take but gain a competitive advantage data-driven insights facilitate accurate forecasting, improve risk management, and better understanding of market dynamics.

Benefits of digital transformation

Digital transformation offers several significant benefits to organizations. Firstly, it enables improved operational efficiency by automating routine tasks, reducing errors, and optimizing workflows. This frees up human resources to focus on strategic initiatives and innovations. Secondly, data-driven insights obtained through advanced analytical empower businesses to make informed decisions, identify trends, and anticipate customer needs. Additionally, digital transformation enhances customer experiences by providing personalized interactions, seamless omni-channel engagement, and quick issue resolutions. Such customer-centric approaches foster loyalty, and help businesses stay ahead of competitors.

Moreover, digital transformation promotes agility and adaptability. Organizations can respond swiftly to market changes, evolving customer preferences, and emerging technologies. By embracing digital transformation, companies can unlock new revenue streams, expand to new markets, and create innovative business models. However successful digital transformation requires a strategic approach, commitment from leadership and the culture that embraces change.

Overcoming challenges and mitigating risk

While digital transformation offers numerous benefits, it also presents challenges and risks organizations need to address concerns such as leader security privacy and the need for digital literacy among the employees. Change management becomes crucial to ensure smooth transitions and widespread adoption of digital technologies. Additionally, businesses must continuously adapt and evolve their digital strategies to keep pace with evolving technologies and market demands.

Conclusion

In today's rapidly evolving digital landscape, embracing digital transformation is essential for businesses to remain competitive and relevant. It offers the promise of enhanced efficiency, improved decision making, and exceptional customer experiences. The harnessing power of digital technologies, organizations can unlock new frontiers that pave the way for a successful future. In a world driven by data advancement, embracing digital transformation has become a business imperative. Organizations that fail to adapt risk becoming irrelevant in an increasingly competitive landscape. Digital transformation offers businesses the opportunity to enhance operational efficiency, deliver exceptional customer experiences, foster innovation, and drive growth. It requires A strategic approach, strong leadership, and a commitment to change. By embracing digital transformation, businesses can unlock new frontiers, future proof their operations and position themselves for long term successes in the digital age.

(This article was contributed by Shajan Abraham, Partner, Internal Audit Division)

Interview with **Ms. Anna Dinzler,** Managing Director, IGR Metal Trading DMCC

Q. Precious metal trading is a surprisingly competitive field. Please talk us through your journey as the captain who has commandeered IGR Metals since 9 years.

It has been an exciting journey marked by continuous company's and personal growth, strategic decision-making, working on personal development, enhancing my abilities and skills.

An essential factor contributing to our achievements has been the formation of a highly skilled team. We have tried to create a corporate culture that prioritizes collaboration, creativity and supports individuality.

Building and supporting strong relationships with customers, suppliers and industry partners has been instrumental in our journey. We have expanded our network, opened new opportunities and established ourselves as a trusted and reliable partner.

Throughout the journey, we encountered various challenges, including market volatility, regulatory changes in various jurisdictions, COVID and economic uncertainties. Thanks to this challenges we have learned to turn "problems" into opportunities. Looking ahead, our voyage continues with the same passion, determination and focus on innovation.

Q. What key factors would you attribute IGR Metals's success to – industry expertise or simply good governance?

Our success can be attributed to a combination of industry expertise and good governance. Both factors play a crucial role in the company's achievements, they are interrelated and mutually reinforcing. Industry expertise informs strategic decisions and enhances governance practices, while good governance facilitates the effective utilization of industry knowledge. The synergy between these factors enables IGR Metals Trading to thrive in a competitive market and achieve sustainable growth while operating ethically, transparently and responsibly.

Q. The IGR Metals' website proudly talks about compliance systems that the company follows and the rigorous code of ethics that is being followed in onboarding clients. How crucial has adherence to a strict code of compliance and ethics been to IGR Metals' success?

I personally believe that ethics plays a significant role in shaping the connections between people. It establishes a framework how individuals interact, cooperate and build relationship with one another and contribute to a company's success. Maintaining a strong reputation for ethical conduct and compliance builds trust among our clients, employees and stakeholders.

It demonstrates our commitment to integrity, transparency, and responsible business practices. This trust is a cornerstone of our success, as it fosters long-term relationships, encourages repeat business and attracts new clients.

In an increasingly conscious business environment, serious business partners actively seek out companies that prioritize environmental, social and governance (ESG) factors.

By upholding ethical and compliance values in our company, I believe to contribute to the creation of a more cohesive and harmonious society.

Q. The recent AML laws have forced all entities in the precious metals trade to be heavily compliant. How do the AML laws impact your business operations, and what measures have you taken to adapt to these changes?

From the inception of our company, we are following LBMA (London Bullion Market Association) and OECD Guidance for responsible metal sourcing and we have been diligently adhering to AML regulations. Recent implementation of new laws in the UAE has had a minimal impact on our operations. As a result, we have experienced a smooth transition due to our ongoing commitment to strict compliance.

We view the implementation of AML Laws in UAE as a positive step toward the future of conducting business and contributing to a responsible and ethical business ecosystem.

Q. How much did UAE's ease of doing business help in molding your decision to persevere with the UAE even in tough times? Were there other deciding factors?

Having resided in the UAE for 16 years, I have come to appreciate the ease of conducting various activities here, not just business. The presence of the DMCC free zone, simplified company setup processes, and reduced bureaucracy were all influential in the shareholders' decision to establish a company in Dubai. However, there are other significant factors to consider as well. Dubai serves as a prominent hub for gold trading, attracting professionals with expertise and experience in precious metals trading. This enabled us to swiftly build a competent team.

Moreover, Dubai's excellent connectivity via direct flights to numerous global destinations allows us to travel conveniently for site visits, conferences, and other business engagements.

I often describe living in Dubai as living in the future. The overall environment and forward-thinking initiatives motivate us to embrace new technologies. Witnessing the realization of various ambitious projects in Dubai fuels our belief that seemingly unbelievable ideas can indeed become reality. The story of Dubai serves as a constant source of motivation, and conducting business in such an environment positions us at the forefront of future developments.

Q. Did Covid-19 alter any growth plans for your business. How has the pandemic altered the future of your line of business?

I think Pandemic has been a profound teacher, pushing us to confront and overcome challenges that once appear unimaginable. I remember my friend telling me that she doesn't want to send her children to London for school holidays, fearing the closure of airports. At that moment I thought that Dubai, being a hub for various events, exhibitions and business trips would never shut down airports entirely. But it has happened. I have learned from this situation to anticipate the unexpected even in seemingly routine situations.

Q. What is your opinion on the implementation of corporate tax in the UAE, and how do you think it will impact your business in particular and gold industry in general in UAE?

I live in UAE since 2006 and I am very grateful that my fate brought me here. My personal opinion is that generated tax revenues can contribute to the government's efforts in infrastructure development, public services and economic diversification initiatives. These factors can have positive long-term effects on the overall business and lifestyle environment.

Legislation changes inevitably have an impact on businesses, and it is responsibility of business owners and managers to proactively prepare themselves to navigate these changes successfully. And if a company's closure is solely caused by 9% corporate tax, it is likely that there were other issues that made the company unsustainable in the first place. My view is that the impact of corporate tax on any industry depends on the ability of businesses to adapt to changing conditions, remain flexible, create new products and ideas. Those businesses that have a strong foundation, are proactive and have a willingness to evolve and innovate are more likely to become more profitable and succeed in the long-term.

Q. How do you balance life outside professional sphere with your business interests?

This question brought to idea of comparing my life with the essential oils, where a single drop contains only the finest essence of plants. It takes 154 oranges to produce 15 ml of essential oil or petals of 30 roses to produce just a single drop. What I imply is that I am cultivating an ability to distinguish what is truly necessary from what is not. I selectively absorb only the essential elements, avoiding wasteful distractions. Our surroundings often abound with superfluous "noise" and individuals who fails to appreciate their own time or that of others.

By disconnecting oneself from such influences, it becomes possible to enjoy a harmonious balance between family and business and what is more important for me is to find inner harmony within oneself.

Q. Tell us about the support you got from your family. How much can that support count towards professional and business success?

Family's support is crucial to anyone's professional growth. With a 4-year-old daughter, I rely on the strong backup provided by my family. In particular, our nanny, whom I refer as our House Manager. She operates independently, understands and covers the needs of our household, so that I have a peace of mind during the working hours.

My husband, who is a successful entrepreneur himself, provides me with invaluable emotional support. His believe in my abilities and potential, significantly boost my confidence, inspiring me to set higher goals.

Q. Tell us about your and your group's CSR/ philanthropic initiatives.

As a native of Ukraine, I want to support this amazing people in my country during this challenging times and beyond. Recognizing the significance of emotional well-being for the progress of both a company and a nation, I have initiated and actively supporting an Art-Inspiration project in the city of Chernihiv. This project offers free painting classes and engaging lessons on the history of Ukrainian Art. Open to all individuals, the art studio provides a space where people can explore their creativity and gain an appreciation for the artistic heritage of Ukraine.

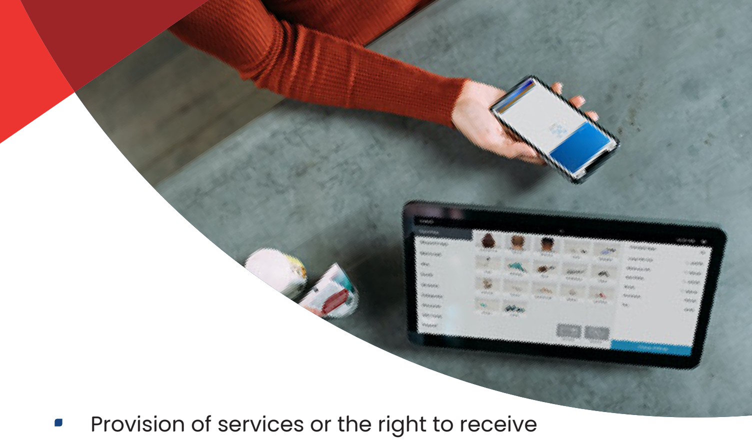
The impact of the project has been profound. Many of the attendees shared that they rediscover their inner sense of security and stability, others have expressed a renewed belief in a brighter future. We are actively working towards expanding our art classes beyond Chernihiv and bringing this initiative to other locations in Ukraine. By reaching more individuals, we aim to foster artistic expression, emotional well-being and a hopeful outlook in the future in communities throughout the country.

Q. Any parting words of wisdom for budding entrepreneurs who want to make it big in your line of business, in this part of the world?

Based on my experience I would say to aspiring entrepreneurs: never cease learning. Avoid the trap of assuming that you know everything. Be open to the new and unfamiliar. Cultivate a strong sense of active listening, also to yourself. Take the time to tune into your own thoughts, emotions and intuition. By actively listening to yourself, you can gain valuable insights, and align your actions with your true desires.

TAX UPDATE

VAT, Corporate Tax and Excise Updates



A. UAE VAT UPDATE

With respect to VAT, the UAE Federal Tax Authority ('FTA') has recently released certain amendments / updates. Summary of the updates is hereunder:

- **Amendments to Emirates' Reporting – Electronic Commerce Supplies by Qualifying Registrants and Ministerial decision No. 26 of 2023 on Criteria and Conditions for Electronic Commerce for Purposes of Keeping Records of the Supplies Made:**

  The FTA has recently issued VAT public clarification VATP033, the key areas covered in the said public clarification and ministerial decision have been summarized below:

  A. **Who will qualify as Qualifying Registrants:** Taxable person supplying goods and services through electronic commerce which exceed AED 100 million over a calendar year are referred as Qualifying Registrants.

  B. **What is the provision relating to Record keeping requirements for Qualifying Registrants:** Qualifying Registrants are required to keep records of the transaction to prove the **Emirate in which supply is received by the customer**. The supporting documents and information relating to prove the Emirate is required to be kept by Qualifying registrants which may be required by FTA as part of tax audit.

  C. **What is e- commerce and what are the criteria and conditions for supply of goods and services to be considered as being supplied through Electronic Commerce:** FTA has defined e-commerce for the purpose of Emirates' reporting. E- commerce is the process of selling goods or services through: electronic means, electronic platform, a store in social media, or electronic applications. This would further also cover a website, portal, gateway, interface, platform, marketplace, API, similar applications, stores in metaverse, smart kiosks, robotic devices etc.

     Supply of goods or services shall be considered to be made via e-commerce medium where all of the following conditions are satisfied:

     - Listing or advertisement on an E-commerce medium;
     - Order through the E- commerce medium, regardless of online or offline payment;
     - Delivery of goods to customer's location which is not owned or operated by supplier;
     - Provision of services or the right to receive the Services is granted to the customer with minimal or no human intervention.

  D. **Who would be liable to report VAT for supply to end customers in case when e-commerce medium is acting as Undisclosed Agent:** The supplier shall be regarded as supplying the goods or services to the e-commerce medium, and the e-commerce medium shall be regarded as supplying the same goods or services to the customer. Therefore, the e-commerce operator shall be required to consider the supply to the end customer when determining the value of taxable supply made by it through e-commerce.

  E. **What is the notification/ intimation requirement for Qualifying Registrants (including registrants acting as undisclosed agents) from 1st July 2023:** FTA to be notified via the first VAT Return to be submitted after exceeding AED 100 million threshold. **Confirmation of the date** when the AED 100 million was exceeded.

  F. **What would be the first year for calculation the threshold limit of AED 100 million:** The first assessment of whether the AED 100 million threshold is exceeded is based on the **calendar year, 2022. (i.e., 1st January 2022 to 31st December 2022)**. If registrant does not exceed threshold in calendar year 2022, then the registrant must regularly conduct an assessment to determine whether the threshold is exceeded in any subsequent calendar years and intimate FTA through first VAT return after threshold was exceeded for any calendar year.

  G. **What would be the revised reporting mechanism for Qualifying Registrants in case threshold of AED 100 million is exceeded:** From 1st July 2023 or the tax period following the calendar year in which threshold was exceeded, as the case may be, Qualifying Registrants would be required to **separately identify the Emirate in which e-commerce and non-e-commerce standard rated supplies** are to be reported, per tax period. This information shall be submitted as an underlying declaration and split between e-commerce and non-e-commerce standard rated supplies. The amounts declared in each of the relevant Emirate field under Box-1 of the VAT Return shall still be the aggregate of e-commerce and non-e-commerce standard rated supply.

- **Input Tax Apportionment Guide- Key Highlights:**

  The FTA has recently updated guide on Input Tax Apportionment under UAE VAT Law. The key highlights has been summarised below:

  Scope of Output -based methods application has been extended to Educational Institutions and establishments such as art galleries, cultural entities and similar establishments conducting non- business activities. Scope of application of Floorspace method has been extended to landlords dealing in supplies of sales/rental of commercial/ residential properties; FTA has reduced the approval period from 80 days to 60 days for non- sectoral method. If additional information is required in respect of the filed application, the FTA will request the additional information. It may take further 40 or 60 business (based on the method selected in the application) to respond to the updated request for a special input tax apportionment method.

  Source: **https://www.tax.gov.ae/en**

B. CORPORATE TAX

The Federal Tax Authority ('FTA') of the United Arab Emirate ('UAE') has released the Corporate Tax Decree Law i.e. 'Federal Decree-Law No. 47 of 2022 - Taxation of Corporations and Businesses' ('Corporate Tax Decree Law'/ 'CT Decree law) effective from for financial years starting on or after 1 June 2023.

Further, in this regard, MOF/ FTA has released few Cabinet Decisions, Ministerial Decisions and FTA Decisions which provide further guidance on CT Decree Law provisions, however many cabinet/ ministerial/ FTA decisions are still awaited.

Recently, MOF has also released "Explanatory Guide On Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses", which provides an explanation of the meaning and intended effect of each article of the CT Decree Law. Further, it may be used in interpreting the CT Decree Law and how particular provisions of the CT Decree Law may need to be applied. It is to be read in conjunction with the CT Decree Law and the relevant decisions issued by the Cabinet, the Ministry and the FTA for the implementation of certain provisions of the CT Decree Law.

Also, Corporate tax registration process of certain taxable persons has been on initiated on the EmaraTax portal. Further, MOF and FTA has also issued various Cabinet, /Ministerial and FTA Decisions to give effect to the provisions of the CT Decree Law.

Tax Residency

A Cabinet Decision on Determination of Tax Residency (Effective 1 Mar 2023) is released.

The decision specifies the requirements and conditions for determining the tax residential status of a natural and a legal person in the UAE, for issuance of a 'Tax Residency Certificate' ('TRC') in the UAE.

i. **Applicability to legal persons**

- A legal person established, formed or recognized in accordance with the legislation in force in the UAE shall be considered as a UAE tax resident
- A legal person considered as a tax resident under the applicable tax law in the country, shall also be considered as tax resident.
- Branches of a foreign company/ entity in the UAE shall not be considered as a UAE tax resident.

i. **Applicability to natural persons**

A natural person shall be considered as a UAE tax resident, if **any** of the following conditions are met:

- If his usual or principal place of residence and the center of his financial and personal interests are in the UAE, or if he meets the conditions and criteria specified by a decision of MOF;
- If he has been physically present in the state for a period of (183) one hundred and eighty-three days or more, during the relevant twelve (12) consecutive months.
- If he has been physically present in the country for a period of (90) ninety days or more, during the relevant twelve (12) consecutive months, and holds the nationality of the State or holds a valid residence permit in the State or holds the nationality of **any** of the member states of the Gulf Cooperation Council, and meets any of the following:

  A. He has a permanent place of residence in the country.

  B. Exercising a job or business in the country.

The Cabinet Decision also specifies that above conditions will need to be examined for issuing TRC for 'domestic tax purposes', whereas for issuing TRC for 'tax treaty purposes' provisions of relevant tax treaty with UAE will prevail.

Further, a Ministerial Decision on implementation of the above provisions is also released.

C. ECONOMIC SUBSTANCE REGULATIONS

The Government of UAE had introduced the Economic Substance Regulations (the "Regulations' / 'ESR') on 30 April 2019 vide Cabinet Resolution No. 31 of 2019. The said Regulations were amended retrospectively vide Cabinet Resolution No. 57 of 2020.

The Regulations (as amended), inter-alia, prescribes two types of annual compliances namely:

i. Submission of the 'Information Notification' within six months from the end of the accounting year; and

ii. Submission of the 'Substance Report' within twelve months from the end of the accounting year.

Accordingly, Licensees having financial year ending 30 June 2022 are required to file their Economic Substance Report on or before 30 June 2023.

Similarly, Licensees having financial year ending 31 December 2022 are required to file their Economic Substance Notification on or before 30 June 2023.

D. INTERNATIONAL TAX UPDATES

UAE's DTAA network

The UAE has entered into and concluded the Double Taxation Avoidance Agreements ("DTAA" / "Tax Treaties") with 139 countries. The list of the countries / jurisdictions with whom UAE has entered and concluded the DTAA can be found at:

https://www.mof.gov.ae/en/StrategicPartnerships/DoubleTaxtionAgreements/Pages/DoubleTaxtion.aspx

E. OTHER DEVELOPMENTS

Fee structure for Private Technical Clarification by FTA effective from 1st June, 2023

The FTA has recently amended Cabinet Decision No. (65) of 2020 via Cabinet Decision No (7) of 2023.The FTA has announced fee structure w.e.f 01st June, 2023, for seeking a private clarification from FTA. The details of the same are as follows:

- AED 1,500/- for request relating to Single Tax;
- AED 2,250/- for request relating to more than one tax

This article was compiled by Shailesh Kumar-Director of Tax, Radhika Doshi-Assistant Manager, and Megha Lohia-Tax Senior, Tax Division.

MEET THE TEAM MEMBER

Jinesh Doshi

Jinesh Doshi is a Chartered Accountant (Fellow Member of the ICAI), Management Accountant (Associate Member of the ICWAI) and Chartered Financial Analyst (CFA Institute, USA). He brings over two decades of experience in the field of audit & assurance, financial consulting, restructuring and advisory, where he has served across diverse industries – manufacturing, retail, hospitality, education, contracting, real estate, satellite communication services, start-ups etc. He has helped clients implement & improve on internal controls, systems & procedures, IFRS rollout and achieving cost optimization / rationalization. In addition to reading or keeping abreast of current affairs, economics and finance, he enjoys music and exploring new places.

Did you know?

Debit and Credit

The term debit comes from the word debitum, meaning "what is due," and credit comes from creditum, defined as "something entrusted to another or a loan." When it comes to the DR and CR abbreviations for debit and credit, a few theories exist. One theory asserts that the DR and CR come from the Latin past participles of debitum and creditum, which are debere and credere, respectively. Another theory is that DR stands for "debit record" and CR stands for "credit record." Finally, some believe DR notation is short for "debtor" and CR is short for "creditor."

Mouse

The origin of the term "mouse" in the context of computers can be traced back to creator Douglas Engelbart and his team at the Stanford Research Institute in 1960s. Douglas is widely regarded as one of the Pioneers of modern computing and is credited with inventing the computer mouse. The device itself resembled a small wooden box with wheels at the bottom and a single button on top. Engelbert named it the mouse due to the cord that connected the device to the computer resembling the tail of a mouse. The invention of the mouse was a significant development in human computer interaction. Prior to its creation, computer navigation and input relied primarily on keyboard commands, which could be complex and cumbersome. The mouse revolutionized this process by allowing users to point, click, and drag objects from the computer screen providing a more intuitive and efficient means of interaction.

Events and happenings

PKF Malta - ESG Initiatives

Colleagues in PKF Malta's Advisory team hosted a flagship conference in April 2023 on renewable energy and environmental sustainability. With speakers from various fields within the local and international community, including business lobby groups, green energy consultants, policymakers and academics, the event presented a unique opportunity to drive forward the renewable energy agenda in Malta. By bringing together all key stakeholders in the industry, the conference created a platform to identify tangible and practical solutions as well as any issues and challenges that lie ahead relating to renewable energy projects in Malta.

Strategic acquisition

PKF Arsilon, our member firm based in France, has acquired the Parisian firm BCRH & Associés (BCRH). BCRH is an independent audit, consulting and accounting firm, serving clients across a range of business sectors. The integration of BCRH will strengthen PKF Arsilon's team in Paris, which now comprises 180 people, including 19 partners.

FREEZONE OFFSHORE UPDATE

Offshore companies in 2023 - Silver lining or Dark Clouds

Offshore companies have been a hot topic in recent years due to the increasing scrutiny and regulations placed on them by governments around the world to prevent tax evasion and money laundering. These companies, which are typically registered in low tax or zero tax countries and often used for tax purposes, have been the subject of numerous scandals and controversies in recent years.

There have been some recent developments that have put the spotlight back on offshore companies. One of the biggest news stories in the world of offshore companies in recent times was the Pandora Papers leak, which revealed the secret financial dealings of the rich and powerful. The leak included information on over 300 politicians, world leaders, and celebrities who had allegedly used offshore companies to conceal their wealth and avoid paying taxes. The Pandora Papers led to renewed calls for stricter regulations on offshore companies. The European Union (EU) proposed a new law that would require all companies to disclose their true owners, including those based in these offshore tax havens. The proposal was met with resistance from some countries, such as Luxembourg and Malta, which rely heavily on their offshore financial sector.

Another development in the world of offshore companies was the rise of digital currencies. Many offshore jurisdictions are now accepting cryptocurrencies as a form of payment, which allows them to circumvent traditional banking systems and avoid scrutiny from regulators. However, this has also led to concerns about the potential for money laundering and illegal activities.

The use of offshore companies has also become a political issue in some countries. In Australia, the Labor Party proposed a plan to crack down on multinational companies that use tax havens to avoid paying their fair share of taxes. The plan would include measures to increase transparency and penalties for companies that engage in tax avoidance.

In addition, there has been a growing trend of countries offering tax incentives to attract offshore companies. For example, in 2018, the UAE introduced a new law that allowed foreign investors to own 100% of companies based in the country, as well as offering a range of tax incentives. Other countries, such as Malta and Cyprus, have also introduced similar measures in recent years. Offshore companies have been around for decades but the latest trends in the industry are constantly evolving.

Here are some of the most recent trends in offshore companies around the world:

1. **Increased transparency:** Governments and international organizations are pushing for more transparency in the offshore industry. Many countries have implemented new laws and regulations, such as the Common Reporting Standard (CRS), which requires financial institutions to report the financial information of their clients to their home country's tax authority.
2. **Digitalization:** The offshore industry is becoming increasingly digitalized, with many offshore companies now offering online services. This includes online registration, banking, and document management. This trend has made it easier and more convenient for individuals and businesses to set up and manage offshore companies.
3. **Cryptocurrencies:** As mentioned earlier, offshore companies are now accepting payments in cryptocurrencies, such as Bitcoin. This has made it more difficult for authorities to track transactions and has raised concerns about money laundering and other illegal activities.
4. **Diversification of services:** Offshore companies are no longer just offering traditional services, such as company formation and banking. Many offshore companies are now offering a wide range of services, including wealth management, tax planning, and legal advice.
5. **Focus on emerging markets:** Many offshore companies are now looking to expand their services into emerging markets, such as Africa and Asia. This trend is driven by the growing demand for offshore services in these regions, as well as the potential for higher returns on investment.

Overall, the latest news about offshore companies highlights the ongoing debate about the role they play in the global economy. While some argue that they provide important financial services and support economic growth, others see them as a way for the wealthy to avoid paying their fair share of taxes. As the world becomes increasingly interconnected, it is likely that the regulation of offshore companies will continue to be a hotly debated issue.

Despite the controversy surrounding offshore companies, they continue to be a popular choice for businesses and individuals around the world. As governments and international organizations continue to crack down on tax evasion and money laundering, it remains to be seen how the offshore world will evolve in the coming years. However, one thing is clear: offshore companies are here to stay, and they will continue to play a significant role in the global economy for the foreseeable future.

(This article was contributed by Chaitanya Kirtikar - Associate Director, Structuring services)

OMAN UPDATE

VAT Update

Background

The introduction of VAT in Oman in April 2021 marked a significant step in the country's economic development. The government aims to diversify the economy and reduce dependence on oil revenue by implementing the indirect tax system. The introduction of VAT has brought about several benefits to the Oman economy, including increased government revenue, improved fiscal discipline, and enhanced competitiveness. However, it also poses challenges for businesses in terms of regular compliances and accounting.

Amendment To Value Added Tax: Ministerial Decision No. 456/2022

On October 16th, 2022, Oman Tax Authority has made a significant amendment to its Value Added Tax (VAT) Executive Regulation vide Ministerial Decision No. 456/2022, published in the official gazette number1463.

This article will discuss the key changes introduced by the Ministerial Decision and their potential impact on businesses operating in Oman.

The most notable change in the amendment are as follows:

Financial services - Article 79 of Value Added Tax Executive Regulations:

Old provision of VAT Executive Regulations

In application to the provisions of item (1) of Article (47) of the Law, Financial Services provided by banks and financial institutions licensed by the Central Bank of Oman or any other competent authority which is established to conduct banking businesses, with the exception of financial services where the payment of the consideration is as a fee, commission or commercial deduction.

Tax-exempted financial services include:

1. Providing and transferring loans and advances.
2. Credit including credit installments in rental or lease-to-own purchase transactions and credit guarantees.
3. Depositing money into current, savings and deposit accounts.
4. Supply and issuance of financial instruments such as derivatives, deferred contracts and similar options and transactions.
5. Supply and issuance of shares, bonds and other securities.
6. Transfer of ownership of any securities or derivatives related to any securities.
7. Life insurance services.

Financial supplies which are made within an Islamic financial arrangement are treated with the same treatments applied to non-Islamic financial products. Provided that among the parties of the transaction is a person licensed to conduct Islamic financial businesses, banking or else by applying the Laws in force.

New amended provision of Oman VAT Executive Regulations

Exempt from tax - In the application of the provision of Clause (1) of Article (47) of the law - the supply of financial services, except for financial services where the payment of the consideration is as a fee, commission or commercial deduction, and the financial services exempt from tax include the following:

1. Providing and transferring loans and advances.
2. Credit including credit installments in rental or lease-to-own purchase transactions and credit guarantees.
3. Depositing money into current, savings and deposit accounts.
4. Supply and issuance of financial instruments such as derivatives, deferred contracts and similar options and transactions.

5. Supply and issuance of shares, bonds and other securities.
6. Transfer of ownership of any securities or derivatives related to any securities.
7. Life insurance services.
8. Supplies of financial services made under any Islamic financial transaction shall be treated in the same manner as applicable to traditional products.

Important observations

Earlier VAT was to be charged on interest on loan given to a related party as it was interest charged by party other than "banks and financial institutions licensed by the Central Bank of Oman" which was out of the ambit of financials service. However, with this amendment no VAT is required to be charged on interest charged to a related party/third independent party as it falls within the ambit of Financial Service and hence, the supply of such services are considered as exempt.

Issuance of tax invoices - Article 143 of Value Added Tax Executive Regulations:

Old provision of VAT Executive Regulations

The Taxable Person must issue a tax invoice in the following cases:

1. When making supplies, whether these supplies are for a non-taxable person or a Taxable Person allocating the supplies for personal use.
2. When making deemed supplies.
3. When receiving the consideration -fully or partially- before the date of supply.

New amended provision of Oman VAT Executive Regulations

Issuance of tax invoices:

The taxable person must issue a tax invoice in the following cases:

1. When making supplies, whether these supplies are for a non-taxable person or a Taxable Person allocating the supplies for personal use.
2. When making deemed supplies.
3. When receiving the consideration, fully or partially, before the date of supply.

The tax invoice must be issued **no later than (15) fifteen days** from the date of occurrence of any of the cases specified in the above items.

The tax invoice must be issued in an approved electronic format in the cases specified by the Authority. Provided that the Authority determines the additional requirements for issuing electronic invoices and the data that they must include.

The person who issues the tax invoice must issue it in a manner that enables verification of the correctness of the source and content and the ability to read the invoice, starting from the date of issuance until the end of the period for keeping the invoice.

The Chairman may suspend or cancel the obligation to apply the electronic tax invoice, in whole or in part, to a category of persons or a specific person, after studying the reasons for this, in accordance with the controls determined by the Authority.

Important observations

In the earlier law no time limit was specified for issuing a tax invoice, however after the amendment a time limit of issuance of tax invoice within 15 days of supply/receiving the consideration is clarified.

Simplified tax invoices - Article 146 of Value Added Tax Executive Regulations:

Old provision of VAT Executive Regulations

As an exception from the provisions of Article (143) of these Regulations, the Taxable Person may issue a Simplified Tax Invoice after obtaining the approval of the Authority when the following conditions are met:

- The nature of the supplies does not require the issuance of immediate Tax Invoices in accordance with Article (144) of these Regulations.
- The value of supplies excluding Tax should be less than five hundred (500) Omani Rial.

New amended provision of Oman VAT Executive Regulations

As an exception from the provisions of Article (143) of these Regulations, the taxable person may issue a Simplified Tax Invoice, if the value of supplies excluding tax is less than (500) five hundred Omani Rial, or in any other case determined by the Authority.

The simplified tax invoice must be issued within the dates specified in Article (143) of the VAT executive regulations, if it is issued in an electronic form in the cases specified by the Authority.

Important observations

Earlier no time limit was specified issuance of simplified tax invoice, however with the amendment simplified tax invoice has to be now issued within the dates specified in Article (143) of the VAT executive regulations.

Other articles amended by Ministerial Decision No. 456/2022

Article 28 - Place of supply of telecommunication services.

Article 55 (1) - Documents for claiming Input VAT credit.

Article 150 - Summary tax invoices.

Article 155 - Adjustment document.

Article 188 -Conditions for VAT refund by foreign Governments, etc.

(This article was compiled by Jatin D Thakkar, Deputy Manager and Amit Athayle, Director, PKF LLC Oman)

RANGE OF SERVICES

Audit, Assurance & Advisory

- Statutory audit
- Other assurance services including Agreed-upon Procedures
- Compilation of financial statements
- Agreed-Upon Procedure for RERA
- Unified In-Country Value certification (ICV) for ADNOC, ADDED, Aldar, Abu Dhabi Ports, ENEC and Mubadala
- Training, consulting and implementation of IFRS
- Internal audit including compliance for DFSA and ADGM regulated entities
- Enterprise risk assessment
- Internal control review
- Risk management review
- Finance and Accounting Procedures Manual
- Business process review
- Due diligence reviews
- Forensic and other investigations
- Delegation of authority matrix
- Information technology / cyber security review

Corporate Finance

- Financial due diligence
- Market analysis and feasibility studies with financial forecasts
- Business & share valuations
- Identification & valuation of intangible assets on a business acquisition (purchase price allocation)
- Impairment reviews
- Preparation of Business Plans and Information Memoranda
- Fund raising
- Advice on partner/share holder entry/exit
- Review of financial models
- Sale of business

Business Structuring Services

- Book keeping and accounting services
- Payroll and HR management and processing
- Confidential processing of payroll
- Short term placement of accounting staff
- Outsourced accounting & payroll services for DIFC companies
- Fixed asset management
- Inventory verification and reporting

Structuring Services

- Entry strategy
- Free zone, mainland and offshore company formation
- Company liquidation / de-registration services
- Registered agent and registered office services
- Company re-domiciliation / migration services
- Visa services (application and renewal)
- Conversion of mainland LLCs to 100% foreign ownership
- Identification of local agent for mainland professional licenses
- Succession planning
- Statutory compliance services for UAE based entities

Tax Advisory and Compliance

- Tax Advisory Services
- VAT and Excise Tax Implementation support
- VAT and Excise Tax registrations, amendments and deregistration
- Assistance in preparing and filing of VAT and Excise Tax returns
- Diagnostic reviews and health checks for VAT and Excise
- Represent / liaison with relevant authorities on taxation matters
- Tax Agency Services
- Assistance in evaluation, preparation & filing of reports under UAE ESR & CbCr regulations
- Cross-Border tax advisory
- Tax due diligence
- Training on tax matters

OFFICES/CONTACTS IN THE UAE AND OMAN

- **DUBAI/JEBEL ALI**

  S.D. Pereira | S. Lalwani
  Tel: (971-4) 3888900
  Fax: (971-4) 3552070
  e-mail:dubai@pkfuae.com

- **DUBAI INTERNET CITY**

  S.D. Pereira | H. Cooper
  Tel: (971-4) 4495430
  Fax: (971-4) 3908836
  e-mail:dic@pkfuae.com

- **DIFC**

  S.D. Pereira | H. Cooper | S. Abraham
  Tel: (971-4) 3857285
  Fax: (971-4) 3257294
  e-mail:difc@pkfuae.com

- **SHARJAH/HAMRIYA FREE ZONE**

  S.D. Pereira
  Tel: (971-6) 5740888
  Fax: (971-6) 5740808
  e-mail:sharjah@pkfuae.com

- **ABU DHABI/AIRPORT FREE ZONE/ADGM**

  Jyotin Dholakia
  Tel: (971-2) 6261715 | Fax: (971-2) 6261716
  e-mail:abudhabi@pkfuae.com

- **SULTANATE OF OMAN - MUSCAT**

  I. R. Pereira | A. C Athalye |
  B. B. Poojari
  Tel: (968) 24 563195 /6 /7
  Fax: (968) 24 563194
  e-mail: muscat@pkfoman.com

PUBLICATIONS

- Practice Profile
- Doing Business in the UAE
- Credentials
- Free Zones in the UAE

All the foregoing publications can be obtained from any of the offices in UAE and Oman