PKF UAE

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A quarterly newsletter from PKF UAE and PKF Oman

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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.

From the Managing Partner – UAE

"It isn't enough to talk about peace. One must believe in it. And it isn't enough to believe in it. One must work at it."

Eleanor Roosevelt

As we reflect on these famous words and the ongoing conflicts around the world, one cannot help but feel that world peace more than any other matter, must top the agenda for all world leaders.

The UAE continues to lead the world in various aspects and make headlines for the right reasons.

List of initiatives taken by UAE are as follows:

- Host of COP28 climate change conference 2023. The country continues to focus on promoting global climate action and strengthen its position as a key player in environmental sustainability.
- In August 2024, Dubai launched the Dubai Reef Project, as one of the Dubai largest marine project spanning over 600 sq. kms. This project is part of Dubai's broader sustainability efforts as the city prepares to host COP28. Further this initiative also aligns with the UAE goals for climate 2050 and highlights Dubai's dedication to sustainability.
- In the non-oil sector, the UAE economy continues to witness substantial growth. This is quite evident looking at the investment in the technology sector and expansion of free trade agreements. The UAE industrial giant Emirates Global Aluminium reported robust revenues in line with the country's economic resilience.
- The UAE has been at the forefront of cultural developments, with prominent events such as the celebration of Emirati Women's Day and the recognition of academic excellence among students by UAE leaders.
- Dubai continues to bolster its tourism infrastructure with the launch of new attractions, including J1 Beach, which is expected to strengthen Dubai's reputation as a global culinary and leisure destination. Additionally, the introduction of new Salik toll gates is set to positively impact traffic and transportation dynamics in the city.
- Abu Dhabi is set to introduce electric and hydrogen-powered buses which will operate within the emirates. This will reflect the city's commitment to sustainable transportation solutions.

Taking the environment theme forward, this issue opens with an article on Cyber Security and Cyber Resilience. We then jump to an in-depth interview with an industry stalwart, Mr. Narendra Odhrani - Chairman of ESMA group. Direct and Indirect Tax updates from the UAE and Oman round out the issue for this quarter.

Stany Pereira

Cyber Security and Cyber Resilience

In an increasingly interconnected world, where digital transformation accelerates across industries, cybersecurity has emerged as a critical pillar of resilience. From protecting personal data to safeguarding national infrastructure, the stakes have never been higher. As threats evolve and become more sophisticated, organizations and individuals alike must adopt proactive measures to ensure robust cybersecurity and resilience against cyber-attacks. The recent global outage of services across industries caused due to a security update feature, is a stark reminder that cyber threat can emanate from any source, and unless we prepare to understand these threats and ensure that internally processes are tested for resilience, operational continuity of business can be under threat.

The Growing Threat Landscape

Cyber threats today encompass a wide range of malicious activities, from ransomware attacks targeting businesses to phishing scams aimed at stealing personal information. The rapid expansion of Internet of Things (IoT) devices has further expanded the attack surface, presenting new vulnerabilities that cybercriminals exploit. The consequences of these breaches can be severe, ranging from financial losses and reputational damage to disruption of essential services and even threats to national security.

Building Strong Cybersecurity Defences

Effective cybersecurity starts with a multi-layered approach that integrates technological solutions, rigorous policies, and a culture of awareness. Organizations invest in state-of-the-art firewalls, encryption technologies, and intrusion detection systems to detect and mitigate threats in real-time. Regular security audits and vulnerability assessments are crucial to identifying weaknesses and addressing them promptly.

Moreover, robust cybersecurity policies and protocols must be complemented by ongoing training programs to educate employees about best practices and potential threats. Human error remains a significant factor in many cyber incidents, making awareness and vigilance among staff members essential components of any cybersecurity strategy.

Resilience in the Face of Adversity

Beyond prevention, resilience is about how quickly an organization can recover from a cyber-attack and minimize its impact. This involves having a well-defined incident response plan that outlines roles and responsibilities, communication protocols, and steps for restoring operations swiftly and securely. Regularly testing these plans through simulated cyber-attacks, helps ensure readiness and identifies areas for improvement.

Why cyber resilience

Cyber resilience is essential for several reasons, reflecting the evolving nature of cyber threats and the criticality of maintaining operational continuity and trust in digital environments. It represents a proactive approach to cybersecurity that prepares organizations to withstand and recover from cyber incidents effectively. Some of the key reasons are as follows:

- **01** Adaptation to Evolving Threats
- **02** Protection of Critical Assets
- **03** Mitigation of Financial and Reputational Risks
- **04** Compliance and Regulatory Requirements
- **05** Ensuring Operational Continuity
- **06** Supporting Digital Transformation
- **07** Building Trust and Confidence

Looking Ahead: Future Challenges and Opportunities

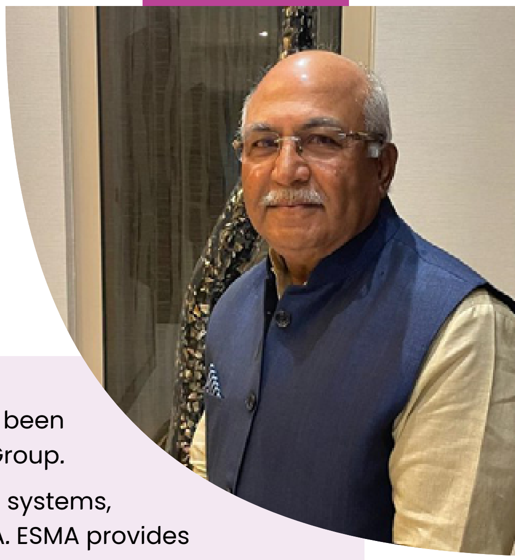
As technology continues to evolve, so too will the cybersecurity landscape. Emerging technologies such as artificial intelligence (AI) and quantum computing offer new opportunities but also pose new challenges. AI-powered cybersecurity systems can enhance threat detection and response capabilities, while quantum computing has the potential to break existing encryption algorithms, necessitating the development of quantum-resistant encryption methods.

Conclusion

In conclusion, cybersecurity and resilience are not merely technical challenges but also strategic imperatives for organizations. By investing in robust cybersecurity measures, fostering a culture of resilience, and promoting collaboration across sectors, we can mitigate the risks posed by cyber threats and safeguard our digital future. The journey towards cybersecurity resilience is ongoing and requires continuous adaptation to stay ahead of evolving threats in an ever-changing digital landscape.

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

Interview with **Mr. Narendra (Nari) Odhrani,** Chairman, ESMA Group



Mr. Nari Odhrani's roots hail from the Pink City, Jaipur, in Rajasthan, India. He has been in the UAE since September 1973 and has devoted his life to building the ESMA Group.

For more than 5 decades, ESMA Group has been a trusted leader in engineering systems, services and industrial components across the UAE, Azerbaijan, Nigeria, and USA. ESMA provides a wide range of systems, services, and components in oil & gas, marine, power generation, desalination, and various other industries.

Today, Mr. Odhrani is a highly respected figure in the industry. He maintains a hands-on approach to the management of the company and he continues to steer ESMA towards new horizons along with his son, Yogesh.

In a wide-ranging interview with us, Mr. Odhrani spoke about his journey, his family and his business.

Q. Engineering services is a highly competitive field in this region. Please talk us through your journey as a first-generation entrepreneur who helmed ESMA group from the 70s to its current position as one of the market leaders.

The field of Engineering has always been a passion from childhood. Having been educated in the field, it was a natural step into the field. UAE in the 1970s was a country of opportunities, a land where, given the right attributes, turned sand into gold. The Leadership of the country, the inspiration one can draw from the Leadership, the clarity in their vision, all were and continue to be a motivation to aim higher. It is with this mindset and these values ESMA Group has set its journey to continuing its drive towards achieving goals higher than before. Being a 51 year old organization, yet early in our mission, we are a young team striving to reach our goals.

Q. What key factors would you attribute ESMA's success?

ESMA's success are greatly and largely attributable to the Team of individuals who are highly aspirational energetic qualified individuals; our Partners who are highly successful organizations always focused on staying steps ahead of the trends in industry through constant R&D; our valuable Service Providers who are leaders of their industry in their own might, all of whom are perfectly aligned with our one mission, one goal, one objective. Our most valuable and honorable Clients drive us forward every single day with their high standards of work ethics and keep challenging us to do more. As I mentioned earlier, we are still early in our mission and strive to do more in getting closer to our overall goal.

Q. How instrumental has ESMA's team of engineers been as its engine of growth?

ESMA's Team of Engineers are young, energetic, dynamic, creative, bold, courageous, team players, willing to accept challenges, all of whom feed my motivation and my energy levels. I envy them for their young age however, at the same time, I am proud of everyone in our team, all of whom are led by a great set of Team Leaders providing direction and true purpose to their careers and helping them grow.

ESMA's Team of Engineers have the wonderful ability to win the trust and respect of our valued Clients, Partners, and Service Providers as they all work together with the ethics and approach to work as I have always envisioned. I cannot be more proud of what they do as the front line of ESMA Group and the true flag bearers of the organization.

Q. What is your long-term vision for the group, and how do you see the engineering services industry evolving over the next 5-10 years?

In short, my vision is to continue growing the Group into a full-service organization providing complete engineering solutions and capabilities under one roof. The industry, under the wise and visionary Leadership of the UAE, demands skills and specialization bringing exceptional capability to the UAE. We can do this and are well on our way on delivering on the expectations set by the market. The industry is certainly demanding more with the inception of automation, robotics, AI, IoT, smart solutions. Hence, all disciplines of engineering are now developed to deliver as per the market requirements. ESMA Group, with our valued Partners and our exceptional Team, is continue its journey on this path.

Q. With emerging technologies like AI, IoT, and automation, what are the key growth areas or markets will your group be focusing on?

Being headquartered in the UAE, naturally our focus on developing in the local market and then expand within the region and beyond. We are looking at diversification by geography, diversification by capability, diversification by industry. However, we shall never deviate away from our core competency without hesitating to develop on our capabilities. Key growth areas continue to be in the Energy Industry where the industry is extremely focused on developing clean energy and we are well within our capability in delivering to these expectations.

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

My Family is the reason I do this every day. My late parents have instilled family values above everything. My organization is also run as a family.

Hence, on a lighter note, it will be prudent to think which family we are referring to. On a serious note, my family at home are my backbone greatly supporting me in all my endeavors. My wife, Vimla (Veena), my two daughters, Sujata (now named Dhanisha) married to my son-in-law Mahesh Hardasani; Gayatri (now named Pasham) married to my son-in-law Vishal Lakhani; and my son Yogesh married to my daughter-in-law Aarti, with my army of grandchildren, all are my greatest strength. The support and motivation I get from them is invaluable and unmeasurable in every step I take.

Q. How much did UAE's ease of doing business help in molding your decision to stick with the UAE even in tough times?

The UAE is a land of opportunity. The UAE is a country where the wise and visionary Leadership encourages and motivates you to wake up every morning and do more, no matter how young or old you may be. It always challenges you to think and act upon the next step forward well in advance. A great example was during the COVID times where the Leadership of the UAE, while taking care of the citizens and the residents, kept inspiring and motivating to work hard and keep the economy moving. Hence, we were one of the fewest countries in the world who had the shortest lockdown keeping the engines of the industries running.

The infrastructure developed by the wise and visionary Leadership of the UAE is truly worldclass. As I always say, a countries infrastructure is the backbone of the industry that makes the engine run faster. It is with this infrastructure and the willingness to be above worldclass that has now attracted global business houses to base their corporate offices here. The ease of doing business with digitalization secured with the most advanced blockchain technology of almost all government services in the UAE makes work far easier, quicker, and better, allowing the businesses to grow.

Q. What are the current trends and challenges in the engineering services industry that need attention?

The engineering industry needs engineers updated with skills required as per today requirements. Aspiring young engineers need to have the right education to deliver to the industry needs. Hence, the shortage of right skills is one that greatly needs attention.

Another need of the industry is to be fully aware and conscious of the environmental aspects of every action undertaken. This requires re-engineering todays work to eliminate any potential impact to the environment hence smart solutions are required to be considered today for the future generations.

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

I enjoy meeting people from all walks of life. My work-life balance comes from drawing inspiration from the stories I hear and learn from various individuals I interact with. I enjoy traveling and exploring various parts of this wonderful world. Most importantly, I like to keep myself active by playing sports, and Golf is one that helps keep my fitness in check.

Q. You are an avid golfer. Does this sport let you balance your work-life equation?

Yes, Golf is a great sport that puts me amidst nature, helping to rejuvenate my energies. Golf helps me keep fit, my mind fresh and connect with friends while also making some new ones.

Q. What are your 'guiding principles' as you prepare to hand over the baton to your son, Yogesh?

My Son has already taken charge of a large part of the business and is moving forward. He has the right values and principles to lead the Group. I am confident, with the work he is doing, he will surely achieve new heights. The guiding principles I have given him is to always remain humble, be ethical and be focused with a clear set of goals and objectives. Yogesh does possess these values and is leading the Group from the front, winning the trust and respect of his Team.

Did you know?

Crypto and Cryptography

The word 'crypto' comes from the Greek word kruptós, meaning 'hidden' or 'secret'. Cryptography refers to secure information and communication techniques derived from mathematical concepts and a set of rule-based calculations called algorithms, to transform messages in ways that are hard to decipher. These deterministic algorithms are used for cryptographic key generation, digital signing, verification to protect data privacy, web browsing on the internet and confidential communications such as credit card transactions and email.

Pythagorean Cup

A Pythagorean cup, also known as a Greedy Cup is an interesting type of drinking vessel attributed to Pythagoras, the ancient Greek mathematician. The cup looks like a regular drinking goblet but has a clever mechanism built into it.

The cup has a central column inside its hollow stem that extends from the base to near the top of the cup. At the top of this column, there is a small opening that leads into the cup itself. When liquid is poured into the cup beyond a certain level, it fills up to the small hole in the central column and then starts to spill out from the bottom of the cup as usual. However, if someone tries to greedily overfill the cup, the liquid level rises past a critical point in the column.

Once the liquid reaches this critical point, due to the laws of fluid dynamics and pressure, a siphoning effect occurs. This causes the entire contents of the cup to rapidly drain through the bottom, emptying the cup completely. The Pythagorean cup is believed to have been designed as a humorous and practical device to teach moderation and avoid greed and end up losing everything.

This ancient invention showcases the ingenuity of Greek craftsmanship and the philosophical principles of moderation that were valued in ancient Greek society.

Image source:
M Todorovic, Wikimedia Commons

Dissection of Principal-Agent relationship and its UAE Tax intricacies under Shipping Industry

The Principal-Agent model is widely practiced in Shipping Sector, with typical arrangement involving a Resident Agent in country executing business activities on behalf of a Non-Resident Principal ('Foreign Principal').

The Regulations pertaining to applicability of VAT for Principal-Agent arrangements in the UAE are specified in UAE VAT Decree Law, its Executive Regulations and further discussed in detail in E-Commerce VAT guide released by Federal Tax Authority ('FTA').

This article addresses Tax considerations with respect to Principal-Agent arrangements, featuring issued FTA clarifications, practical applications and the challenges that taxpayers may encounter.

Types of Agencies discussed under UAE VAT Law:

- **Disclosed Agency:** It is known to Customer that Agent is acting on behalf of Principal and accordingly Customer considers supply of goods or services is made by Principal to them. Although Agent is permitted to issue Tax Invoice with details which must also include Name, VAT Registration number and address of Principal, however, it is the responsibility of Principal to report these supplies in its UAE VAT return. Further, agent will separately invoice Principal for the agency services provided.
- **Undisclosed Agency:** It is not known to Customer that Agent is acting on behalf of a Principal and considers such Agent transacting business in its capacity as being a Principal.

  Due to the nature of this Agency type, what constitutes is a back-to-back purchase and sale arrangement between Customer-Agent and Principal-Agent, wherein sale value to Customer includes a markup charged by Agent (which identifies as commission) on the procurement cost from Principal to the Agent. Both the Principal and Agent must handle their individual VAT responsibilities separately, including issuing invoices and reporting these transactions in their VAT returns.

Obligations of Foreign Principal acting via UAE Resident Agent:

Article 33 of UAE VAT Decree Law was updated in December 2022, confirming provisions pertaining to Principal's Place of Residence. FTA further clarified in Public Clarification VATP030, specifying that the Place of Residence of the Principal will be based on the Place of Residence of the Agent if the said Agent undertakes any of the below activities-

- Regularly negotiates and enters into agreements in favor of the Principal
- Maintains a stock of goods to fulfill supply agreements for the Principal regularly.

Further, it was also clarified that the Deemed Place of Residence formed in the UAE for Foreign Principal through its UAE Agent will result in such Foreign Principal having to comply with all Tax obligations mentioned in the Tax legislation.

Accordingly, in case a Foreign Principal appoints a UAE Resident Agent who either negotiates and enter into agreements in favor of the said Principal or maintains a stock of goods for the said Principal, Place of Residence of such Principal should be derived based on that of the UAE Agent for the purpose of UAE VAT law.

This prompts a variety of questions such as:

- **Whether Foreign Principal is required to obtain UAE VAT Registration?** Does the requirement for the Foreign Principal to fulfill all Tax obligations mean that it is obligated to obtain VAT registration in the UAE.
- **Whether UAE VAT Registration should be applied based on 'Resident' or 'Non-Resident' Person category?** In the context of UAE VAT registration, considering Foreign Principal do not hold business license in UAE and the registration requirement hinges on the UAE-based Agent, should the registration be filed by such Foreign Principal as a Resident Person (deferring registration until taxable supplies exceed AED 375,000) or as a Non-Resident Person (which mandates registration before making taxable supplies).

Foreign Shipping Lines (Foreign Principal) often appoint UAE Agents to establish their presence in the Middle East region. The UAE Agent performs functions such as generating leads, negotiating with customers, entering into contracts on behalf of the Foreign Principal and also issue invoices on their behalf. According to Public Clarification (VATP030) from the FTA, undertaking of these activities by UAE Agent on behalf of Foreign Principal may necessitate VAT registration obligation for Foreign Principal under UAE VAT Law.

The UAE's Corporate Tax (CT) Law also have introduced the concept of Agency Permanent Establishment ('PE'), as outlined in the Non-Resident CT guide from the FTA. If a Foreign Principal meets the necessary conditions and creates an agency PE in the UAE, they may be required to register for CT in UAE. This PE concept for Non-Resident entities also implies that the registration of a non-UAE supplier for VAT purposes may likely fall under the 'Non-Resident Person' category, if similar rationale is adopted even for VAT purpose.

Understanding UAE VAT registration requirement of Foreign Shipping Lines (Foreign Principal) operating in UAE through local Agents and thereby meeting Tax compliance requirement is essential. Given that the primary supplies made by such Shipping Lines is in the nature of 'Freight' which is generally a 'Taxable Supply' from UAE VAT perspective, it is pertinent that applicable Tax reporting disclosures are made.

Also, given that supplies made by UAE Agent to their Foreign Principal are taxable from UAE VAT standpoint, in the absence of such Foreign Principal not being VAT registered in UAE, the VAT charge by UAE Agent may likely be cost to Foreign Principal.

Conclusion:

Foreign Principal must carefully examine the relevant provisions of UAE Tax law and understand their Tax compliance obligations in UAE. A request for private clarification can be submitted to FTA in order to obtain their view point.

(This article is contributed by Associate Director, Mradul Gupta and Asst Manager, Megha Lohia from Tax Division)

Events and Happenings

PKF Asia Pacific Gathering

PKF firms from across the Asia Pacific region and beyond reunited in Bangkok, Thailand from 24 to 26 July 2024 for the annual Asia Pacific Gathering. Delegates enjoyed three days of interactive and engaging content, with an agenda centred around the themes of technology & resourcing, practice management, growth & diversification and the client experience.

PKF Latin America Gathering

Partners and directors from member firms across the Latin America region and beyond came together in Panama City from 24 to 27 June 2024 for the annual Latin America Gathering. Members shared thoughts on how to actively manage client experience to drive growth and improve market position.

PKF North America Gathering

PKF friends and colleagues from across the North America region reunited in Houston, Texas from 11 to 13 June 2024 for the annual North America Gathering. A wealth of interactive and engaging sessions over the three-day event on strengthening network and building strong relationships with clients for success.

OFFSHORE UPDATE

Visa Updates from the UAE

Blue Visa

The Blue visa is a new 10-year residence visa designed for individuals who have made an exceptional contribution towards the environment's protection and sustainability, both inside and outside the UAE.

This visa is given to supporters of environmental action, including members of international organisations, international companies, members of associations and non-governmental organisations, global award winners, and distinguished activists and researchers in environmental work. It is given to both, Emiratis and resident advocates of the environment.

Sustainability advocates and experts interested in obtaining the UAE's Blue visa can apply directly to Federal Authority for Identity, Citizenship, Customs and Port Security, or through nomination by competent authorities in the UAE.

The visa offers an exceptional opportunity for individuals who dedicate themselves to sustainability and environmental stewardship.

Updates in Golden Visa requirements

The UAE's 'Golden visa' is a long-term residence visa which enables foreign talents to live, work or study in the UAE while enjoying exclusive benefits which include:

- an entry visa for six months with multiple entries to proceed with residence issuance
- a long-term, renewable residence visa valid for 5 or 10 years
- the privilege of not needing a sponsor
- the ability to stay outside the UAE for more than the usual period of six months to keep their residence visa valid
- the ability to sponsor their family members, including spouses and children regardless of their age
- the ability to sponsor unlimited number of domestic helpers
- the permit for family members to stay in the UAE until the end of their permit duration, if the primary holder of the Golden visa passes away.

Golden Visa requirements have recently been revised to the benefit of a variety of applicants.

Requirements for the Golden visa depend on the type of residence, whether investor, talent, entrepreneur, etc.

This golden visa residency scheme is renewable and reserved for certain categories ranging from investors with a minimum of AED 2 million investment, entrepreneurs, outstanding students and graduates, humanitarian pioneers, scientists, frontline workers, Covid-19 heroes, and exceptionally talented students and first-degree relatives.

Professionals working in healthcare, media, IT and other industries with a monthly salary of AED 30,000 or above are also now eligible for the Golden Visa.

There is a clear effort from the government to widen their horizons and try and be as inclusive as possible with the golden visa program.

Green Visa

The Green Visa is a type of residence visa that allows holder to self-sponsor for five years, eliminating the need for a UAE national or employer to sponsor their visas. It is designed to attract highly skilled professionals, investors, entrepreneurs, and top students to the country.

Benefits for this long-term residency include the ability to sponsor sons up to age 25 and unmarried daughters, regardless of age.

In addition to facilitating and simplifying the requirements of all residence types, the visa offers longer flexible grace periods that reach up to 6 months to stay in the country after the residence permit is cancelled or expired to facilitate family members' residence.

Jobseeker Visit Visa

Foreigners are granted a visit visa to search for a job without requiring a host/sponsor in the country, for one trip. They can apply for a job-seeker visa with a validity of either 60, 90 or 120 days.

Through the above mentioned and other upcoming visa schemes the UAE government has stepped up its game with robust principles of inclusivity and diversity that will help enhance the reputation of UAE as the most preferred destination along with its existing quality of being one of the safest countries in the world.

(This article is compiled by Chaitanya G. Kirtikar, Associate Director, Structuring Services)

Streamline your expansion into the UAE with PKF's Employer of Record services

Hire globally, quickly, and compliantly.

Growing your business globally should not be a hassle. At PKF, our Employer of Record (EOR) solution, offered in partnership with G-P (Globalization Partners), simplifies your entry into the UAE market without setting up an entity in the UAE.

Here's how it works:

- Leverage G-P's Global Growth Platform™ to onboard employees in the UAE starting in just minutes.
- Eliminate the complexities of setting up and managing your own legal entity in the UAE.
- Focus on your core business while we handle payroll and HR administration.

Benefits of partnering with PKF and G-P

- No entity required: Get new team members up and running in new markets – starting in minutes, not months – without having to set up new entities.
- Fast and easy onboarding: Access talent pools and onboard professionals quickly and efficiently with G-P's streamlined EOR process.
- Reduced risks and costs: Ensure compliance with local labor laws with G-P to minimize the risk of costly fines, penalties or other legal issues.
- Local expertise: Benefit from PKF and G-P's deep understanding of UAE employment regulations.
- Scalability and flexibility: Easily scale your workforce up or down as your business needs evolve.

G-P's role in the partnership

G-P acts as the legal Employer of Record for your UAE-based employees, ensuring compliance with local labor laws. G-P's team of qualified legal and HR experts provides ongoing support to meet your specific needs in the UAE.

Ready to expand into the UAE?

Contact PKF UAE today to learn more about how G-P's EOR solution can help you achieve your global growth goals.

MEET OUR TEAM MEMBER

Ashish Joshi

Ashish is a Manager within PKF UAE's Internal Audit Division, bringing over a decade of experience from his work with various risk advisory firms across India and the UAE. Prior to joining PKF, he was part of the Risk Advisory team at Ernst & Young and KPMG, India.

Ashish holds a Master's degree in Finance and a Bachelor's degree in Computer Science. Throughout his career, he has developed strong expertise in the development of risk framework, preparation of standard operating procedures, internal audits, data privacy frameworks, business continuity management, process automation, and information technology general controls. He is also skilled in reviewing and assessing the adequacy and effectiveness of internal controls, ensuring the efficiency and effectiveness of processes across a wide range of sectors.

Ashish has collaborated with clients in diverse industries including retail, real estate, automotive, manufacturing, education, hospitality, and financial services within Dubai International Financial Centre (DIFC), among others. His wife, Swati, is an experienced freelance IT testing professional, with prior experience at Diebold Nixdorf and various IT Companies. Beyond his professional commitments, Ashish is passionate about music, sports, and culinary experiences.

OMAN UPDATE

On the Brink of Introducing Personal Income Tax

A New Era of Taxation in the Sultanate of Oman

Oman, a Gulf Cooperation Council (GCC) country without a personal income tax is poised to introduce Personal Income Tax on individuals. Oman will be the first country in the region to introduce the same. It is also expected that other GCC countries might follow the suit.

The move, designed to diversify the economy and boost government revenue, is a significant departure from the country's traditional tax-free status.

The Proposed Tax Structure

While the final details are still being finalized, the proposed personal income tax in Oman is expected to be progressive, with higher earners paying a larger percentage of their income. The tax rate is likely to fall within the range of 5% to 9%.

- **Expatriates**: Foreign nationals residing in Oman will likely be taxed on their Oman-sourced income exceeding a certain threshold, possibly around $100,000.
- **Omanis**: Omani citizens will be taxed at a flat rate of 5% on their net global income above a significantly higher threshold, potentially around $1 million.

Implications for Individuals and the Economy

1. **Economic Impact**
    a. **Reduced Disposable Income**: The introduction of personal income tax would lead to a reduction in disposable income for both citizens and expatriates. This could result in lower consumer spending, impacting retail and service industries.

    b. **Cost of Living**: The overall cost of living would likely increase as individuals adjust their budgets to accommodate tax payments. This could lead to changes in lifestyle and spending habits.

2. **Impact on Expatriates**
    a. **Attractiveness of the Country**: One of the main draws for expatriates is the tax-free income. Introducing personal income tax might reduce the country's attractiveness to foreign workers, potentially leading to a decrease in the expatriate population.

    b. **Employment Contracts and Salaries**: Employers might need to adjust salaries and benefits to compensate for the new tax burden, which could impact hiring practices and overall employment costs.

    c. **Repatriation of Income**: Expatriates often remit a significant portion of their earnings to their home countries. A new personal income tax could reduce the amount of money expatriates can send home, affecting their families and economies abroad.

3. **Impact on Citizens**
    a. **Social Welfare and Public Services**: The introduction of personal income tax could provide the government with additional revenue to improve public services and social welfare programs. This could lead to better healthcare, education, and infrastructure.

    b. **Wealth Distribution**: A well-structured personal income tax system could help in redistributing wealth and reducing income inequality within the country.

4. **Government Revenue**
    a. **Increased Revenue**: The government would benefit from an additional revenue stream, which could be used to fund development projects, reduce deficits, and diversify the economy.

    b. **Economic Diversification**: Additional tax revenue could support efforts to diversify the economy away from reliance on oil and gas, leading to a more sustainable economic model and fiscal prudence.

Given the anticipated income thresholds for taxation, the overall impact on both expatriates and citizens will likely be minimal. For expatriates, a $100,000 annual income is considered high, especially since the majority are engaged in blue-collar jobs. Additionally, the tax brackets for citizens are set at very high levels, meaning that only a small number of high net worth individuals will be affected.

Cautious Approach

While the move to introduce personal income tax is seen as necessary for Oman's economic health, the government is adopting a cautious approach. The proposed tax rates are relatively modest compared to other countries.

The Road Ahead

The personal income tax bill has been approved by Oman's Parliament and is now awaiting final approval from the State Council. Once enacted, it is expected to come into effect in early 2025. The introduction of personal income tax in a traditionally tax-free country would have wide-ranging implications for both citizens and expatriates.

While it could lead to reduced disposable income and changes in the expatriate population, it also offers the potential for improved public services and economic diversification. The success of such a transition would depend on careful policy design, public communication, and measures to mitigate negative impacts on individuals and businesses.

As the details of the tax regime are finalized, it is essential for individuals and businesses to stay informed about the specific implications and to plan accordingly.

(This article is compiled by Zaid Patel of PKF LLC, the PKF member firm in the Sultanate of 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 / cybersecurity 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 Process Outsourcing

- 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

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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