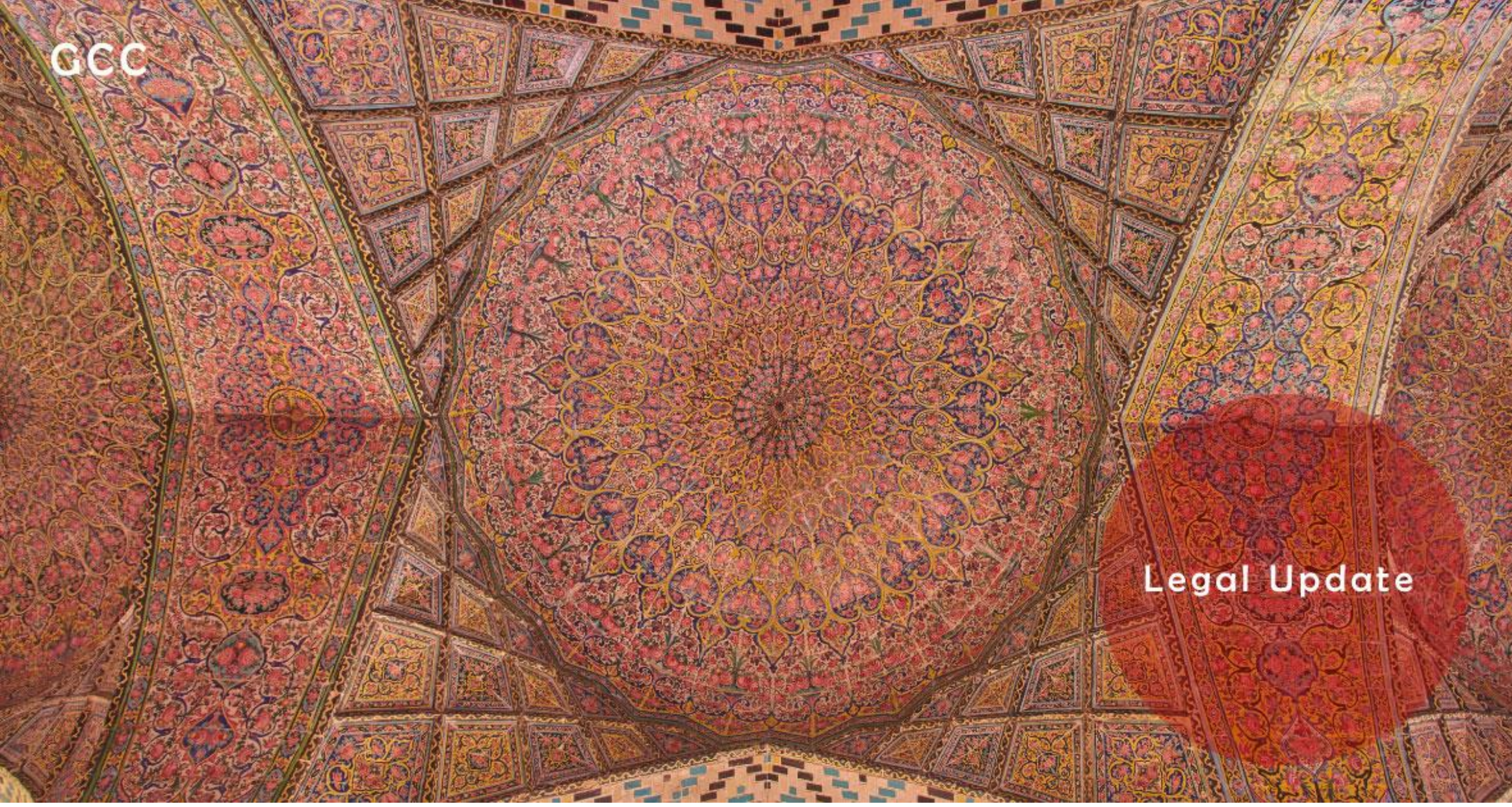

GCC E-Alert

UAE

1. UAE Removal from European Blacklist of Tax Havens

European Union finance ministers agreed on 23 January 2018 that eight jurisdictions should be removed from the bloc's blacklist of tax havens, one month after the list was set up. The United Arab Emirates is one of the jurisdictions to be delisted "following commitments made at a high political level to remedy EU concerns", the EU said in a statement.

2. Designated Zones for VAT Exemption Purposes

Article 1 of the Cabinet Decision 59 of 2017 concerning Designated Zones stipulates that the designated zones annexed with the Cabinet Decision meet the requirement of the Cabinet Decision Number 52 of 2017 on the Executive Regulation of the VAT Law (the **Executive Regulation**) and shall be considered as Designated Zones for the implementation of VAT Law.

The term Designated Zones is defined under the Executive Regulation as follows:

"*Any Designated Zone specified by a decision of the Cabinet shall be treated as being outside the State and outside the Implementing States, subject to the following conditions:*

1. *The Designated Zone is a specific fenced geographic area and has security measures, and Customs controls in place to monitor entry and exit of individuals and movement of goods to and from the area.*
2. *The Designated Zone shall have internal procedures regarding the method of keeping, storing and processing of Goods therein.*
3. *The operator of the Designated Zone complies with the procedures set by the Authority*."

The Executive Regulation further states that if the Designated Zone changes the manner of operations and does not fall under the conditions mentioned above, it will then be taken into consideration as being in the UAE.

The Cabinet Decision for Designated Zone provides a list of 20 Free zones in the UAE which will be considered as Designated Zones and include:

In Abu Dhabi	In Dubai	In Sharjah
▪ Khalifa Port ▪ Abu Dhabi Airport Free Zone ▪ Khalifa Industrial Zone	▪ Jebel Ali Free Zone (North-South) ▪ Dubai Aviation City ▪ Dubai Airport Free Zone	▪ Sharjah Airport International Free Zone
In Ajman	**In RAS Al Khaimah**	**In Fujairah**
▪ Ajman Free Zone	▪ RAK Free Trade Zone ▪ RAK Airport Free Zone	▪ Fujairah Free Zone

Importantly, the transfer of goods between the Designated Zones will be exempted from tax as mentioned under Article 51 of the VAT Law, subject to the clause that goods are not altered during the transit or the transfer was in accordance with the GCC Common Customs Law. The FTA in this regards has the authority to seek guarantee which is equivalent to the tax liability for the goods in transit if the authority is of the opinion that the goods so transferred does not meet the pre-conditions.

The implementation of this Decision came into effect on 1 January 2018.

3. VAT Treatment of Transfer of Business

The Federal Law 8/2017 on Value Added Tax (the **VAT Law**) provides that "the transfer of the *whole or independent part* of a Business from a Person to a Taxable Person for the purposes of *continuing the Business* that was transferred" (art. 7) will not be considered a supply and therefore will not be subject to VAT.

This exception means that, providing the requirements are met, a sale and purchase of a business should not incur VAT liability for either the purchaser or the vendor. However, there is no guidance in the Executive Regulations and the Federal Law 7/2017 on Tax Procedures) (the **Tax Procedures Law**) on what constitutes the transfer of the "whole or independent part of a business", and what "continuing" that business will entail.

Taxable Person

The exemption only applies where the transfer is to a "Taxable Person", being a natural or legal person who is registered, or is obliged to register, for VAT. A person is obliged to register for VAT where that person's taxable supplies exceed AED 375,000 annually, and they may voluntarily register for VAT where taxable supplies exceed AED 187,500 annually (the Voluntary Registration Threshold). This could potentially create a problem for companies set up for the purposes of acquiring the transferring business.

The Executive Regulation provides that an application can be made for voluntary registration if there is an expectation that supplies will exceed the Voluntary Registration Threshold during the next 30 days. To do so, the registrant must provide evidence of its intention to make Taxable Supplies or incur expenses which are subject to tax, in excess of the Voluntary Registration Threshold.

It seems that an application to register could be made by a newly incorporated company using an Asset Purchase Agreement which is entered into on a conditional basis for a consideration higher than the Voluntary Registration Threshold and which will complete within 30 days thereof.

Whole or Independent Part of a Business

For the exception to apply, the transfer must be of the "whole or independent part" of a business. Evidencing the transfer of the whole of a business should be relatively easy.

However, the question remains whether the transfer of not all the assets, inventory, receivables, contracts or employees would result in the loss of the VAT exemption.

Oman

Ban of Foreign Workers in Certain Industries

Oman has imposed a six-month ban on hiring foreigners seeking work in 10 different industries, including media, information technology, marketing, insurance and aviation.

The new ban, which is set to be implemented immediately, aims to increase the employment rate among nationals.

Saudi Arabia

Faster and Simpler Investment Licensing

Saudi Arabia General Investment Authority (**Sagia**), the Kingdom's state-backed inward investment agency, streamlined the business licensing process to encourage investment reducing the time to secure a licence from 53 working days to just four days.

Sagia aims to attract more investments through facilitating and improving procedures. The streamlined procedures apply to issuing, amending and renewing investment licences for businesses operating in the country.

Previously, eight documents were required to issue any business licence. Now, a company can obtain a licence by producing financial statements and certified commercial registration only. A company can also renew its licence through a self-service feature on Sagia's website.

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It does not constitute a reference for agreements and/or commitments of any nature.

For any further clarification or research please contact:

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