

Bahrain

Ministry of Finance and National Economy (MoFNE) and the Shura Council considering raising standard VAT rate of 5% and introducing income tax

MoFNE and the Shura Council were assessing the government debt and suggesting necessary options which include raising the standard rate of VAT from the current 5%, introducing income tax and imposing levies on companies.

However, Shura Council's Financial and Economic Affairs Committee Chairman HE Khalid Hussain Al Maskati stated that "Increasing non-oil revenues through taxation is a fast option, but us legislators are against this and thankfully the government shares the same sentiment and has not gone through this route"

Click [here](#) to read more.

Kingdom of Saudi Arabia (KSA)

General Authority of Zakat and Tax (GAZT) and KSA Public Prosecution sign a memorandum of understanding (MoU)

On 16 March 2021, GAZT and KSA Public Prosecution signed an MoU for combating money laundering and terrorism financing crimes.

Under the MoU, that GAZT and KSA Public Prosecution have committed to joint cooperation and coordination to confront the risks of these crimes, in addition to holding periodic bilateral meetings between the two authorities. The memorandum also includes setting up of a working mechanism that contributes to the electronic link between the two authorities, with the aim of exchanging data and information in a fast and safe manner, and enhancing the capabilities of the two parties in combating money laundering and terrorism financing crimes.

Click [here](#) to read more (in Arabic).

GAZT invites opinions and proposals regarding the e-invoicing framework

On 18 March 2021, GAZT invited interested taxpayers, stakeholders and the public at large to express their opinions and submit their proposals regarding the draft E-Invoicing Regulations latest by 17 April 2021.

Click [here](#) to read more (in Arabic)

GAZT continues inspection of businesses to identify non-compliance

On 15 March 2021, GAZT reported that it has continued inspection of businesses to identify non-compliance with tax obligations. In the previous week, 7,000 inspection visits were conducted which resulted in discovery of 1,304 violations.

GAZT highlighted that a significant number of violations were discovered based on reports received through official reporting channels.

Click [here](#) to read more (in Arabic).

United Arab Emirates (UAE)

UAE Federal Supreme Court rules in favour of Dubai firm in a landmark ruling

As reported by a local newspaper, UAE's Federal Supreme Court has dismissed an appeal filed by the Federal Tax Authority (FTA) against taxes and administrative fines and penalties imposed by the FTA against a Dubai-based beverage distributor concerning excise taxes.

Click [here](#) to read more.

Indonesia ratifies IPA with UAE

On 19 February 2021, Indonesia ratified the investment protection agreement (IPA) with the UAE, signed on 24 July 2019. According to the provisions of the IPA, the most favoured nation treatment is applied to investments made by investors of the two countries.

Base Erosion Profit Shifting (BEPS) – Pillar Two

Under the original BEPS Action Plan (Action 1), issued in 2015 and containing the specific tax challenges of the digitalization of the economy, members of the G20/OECD Inclusive Framework made a commitment to continue working together to deliver a consensus-based solution by the end of 2020.

The project on addressing the tax challenges arising from the digitalization of the economy which began in May 2019 consists of two pillars. On 12 October 2020, the G20/OECD released detailed reports on the Blueprints on these two pillars. Pillar One aligns taxing rights more closely with local market engagement. The intention is that a portion of multinationals' "residual profit" should be taxed in the jurisdiction where revenue is sourced. If multinational consensus is not achieved, unilateral digital taxation (for example, Digital Service Tax) measures may continue to increase.

Pillar Two applies where, even after the effect of Pillar One (if any), multinationals are regarded as undertaxed by reference to an agreed minimum level of global taxation. Under the Pillar Two proposals, jurisdictions are granted additional taxing rights where other jurisdictions have not exercised their primary taxing rights or income is subject to low rates of tax (in countries such as Bahrain).

What does Pillar Two mean for businesses in the Middle East?

All multinationals can expect their global effective tax rates to change in the coming years as a result of Pillar Two. However, the impact on groups in the Middle East is expected to be greater given the nil/low tax environment they have enjoyed for so long.

Within the Middle East, groups having significant presence in Bahrain, the UAE and KSA (the zakat paying entities), i.e. the nil/low tax jurisdictions, may lose substantial double tax treaty benefits/overseas tax deductions on intra-group transactions. While economic substance regulations have been introduced in the UAE and Bahrain, Pillar Two proposals do not provide for any exemption where constituent entities in these countries are subject to local substance requirements.

Please contact [Mubeen Khadir](#) to discuss how this may impact your business and how KPMG can help.

Business Restructuring – creating value in challenging times



Join our webcast on Tuesday 30 March 2021: 'Business Restructuring – creating value in challenging times' webcast

As part of our Future of Tax & Legal webcast series, we are pleased to invite you to our session on '[Business Restructuring – creating value in challenging times](#)'.

In the wake of COVID-19, most organizations will face ongoing challenges in terms of managing cash and liquidity, stabilizing the business to weather lingering economic uncertainty and planning for long-term revival of the business. This webcast will provide insights into potential requirements for business reorganization and other funding requirements.

Join our webcast for lively discussions with our panel of KPMG professionals from Tax & Legal for insights about key aspects of restructuring including:

- Different types of corporate reorganizations preferred in challenging times
- Key Tax and Legal considerations while restructuring a business
- Key Tax and Legal issues while planning a restructuring
- Key aspect of debt restructuring

Presenters will include Arco Verhulst, Global Head of Deal Advisory, Mergers & Acquisitions as well as other Senior KPMG M&A and Tax & Legal professionals.

[Click here to register](#) 

The above is for general information only and is not intended to address the circumstances of any particular scenario. Please seek professional advice in relation to your particular circumstances.

For a detailed discussion on how the above updates may impact your business, [contact us](#).

Mubeen Khadir

Partner - Head of Tax & Corporate Services
T: +973 3222 6811
E: mubeenkhadir@kpmg.Com

Omar Hisham

Senior Manager
T: +973 3840 7759
E: sosaid@kpmg.com

Hasan Khalaf

Manager
T: +973 3636 6462
E: hakhalaf@kpmg.com

Mansoor AlWadaie

Manager
T: +973 3998 8098
E: malwadaie@kpmg.com

Shashank Chandak

Manager
T: +973 3553 1905
E: shashankchandak@kpmg.Com

Dao Han Hung

Manager
T: +973 3907 7964
E: hdaohan@kpmg.com

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KPMG can assist with selecting the most suitable legal entity and support you with all required regulatory approvals and licenses. We provide commercially focused regulatory and business advice for organizations to maintain compliance with the Bahrain Commercial Companies Law, Central Bank of Bahrain rulebook, other local regulations and leading industry practices.

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