



**JPA INTERNATIONAL**  
Audit, Accounting, Tax, Consultancy  
A Worldwide Network of Independent Firms

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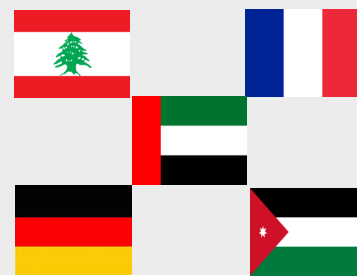
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« This articles focuses on the worldwide impact of the Common Reporting Standard »

## Mandatory Disclosure Rules (MDR) on CRS avoidance arrangements

On 15 July 2014, the OECD published the Standard for Automatic Exchange of Financial Account Information in Tax Matters, also known as the Common Reporting Standard (CRS).

**102 jurisdictions have committed to the implementation of the CRS, with exchanges of information commencing in 2017 or 2018.** With 50 jurisdictions having now commenced exchanges under the CRS, there has been a major shift in international tax transparency and the ability of jurisdictions to tackle offshore tax evasion.

Information from media leaks and results from the OECD's disclosure initiative demonstrate that professional advisers and other intermediaries continue to design market or assist in the implementation of offshore structures and arrangements that can be used by non-compliant taxpayers to circumvent the correct reporting of relevant information to the tax administration of their jurisdiction of residence, including under the CRS.

The Model Mandatory Disclosure Rules (MDR) for CRS Avoidance Arrangements and Opaque Offshore Structures was approved by the Committee of Fiscal Affairs (CFA) of the OECD on 8 March 2018. This article is designed to assess, analyze and understand the key elements of the MDR, recognize MDR's limitations and technicalities, as well as demonstrate how the abuse of tax residence by investment schemes could be challenged.

### What is the purpose of the new mandatory disclosure rules?

The purpose of the new rules is to provide tax administrations with information on arrangements that (purport to) circumvent the CRS Avoidance Arrangements and on structures that disguise the beneficial owners of assets held offshore (Opaque Offshore Structures).

The information required to be disclosed includes the details of taxpayers using such structures or arrangements and those involved with their design and set-up. This information will provide tax administrations both with additional intelligence for their tax compliance activities as well as for designing future tax policy. It is also expected that the rules will have a deterrent effect against the design, marketing and use of these arrangements and schemes and bolster the overall integrity of the CRS.

### How do the rules operate?

The rules require any person that is an Intermediary in respect of an arrangement, which has the hallmarks of a CRS Avoidance Arrangement or Opaque Offshore Structure, to disclose certain information on that arrangement or structure to the tax authorities.

As described in further detail below, Intermediaries are those persons responsible for the design or marketing of the arrangement or structure ("Promoters") as well as certain persons that provide assistance or advice with respect to the design, marketing, implementation or organization of that arrangement or structure ("Service Providers").

The model mandatory disclosure rules only impose disclosure obligations on Intermediaries who have sufficient nexus with the reporting jurisdiction. This will include an Intermediary operating through a branch located in that jurisdiction as well as those that are resident in, managed or controlled, incorporated or established under the laws of that jurisdiction.

An Intermediary is required to file a disclosure when the arrangement or structure is first made available for implementation, or whenever the Intermediary provides services in respect of the arrangement or structure. The information which is required to be disclosed includes design details as well as the users and any other Intermediaries involved in the supply of the arrangement or structure.

The rules do not require the Intermediary to disclose information that is subject to obligatory professional secrecy rules.

There are also rules that limit the need for the Intermediary to make duplicate disclosures in respect of the same arrangement or structure. In the event there is no Intermediary that is within the territorial scope of the disclosure obligations, or the Intermediary is not required to disclose due to professional secrecy rules, the disclosure obligation falls on the user of that arrangement or structure.

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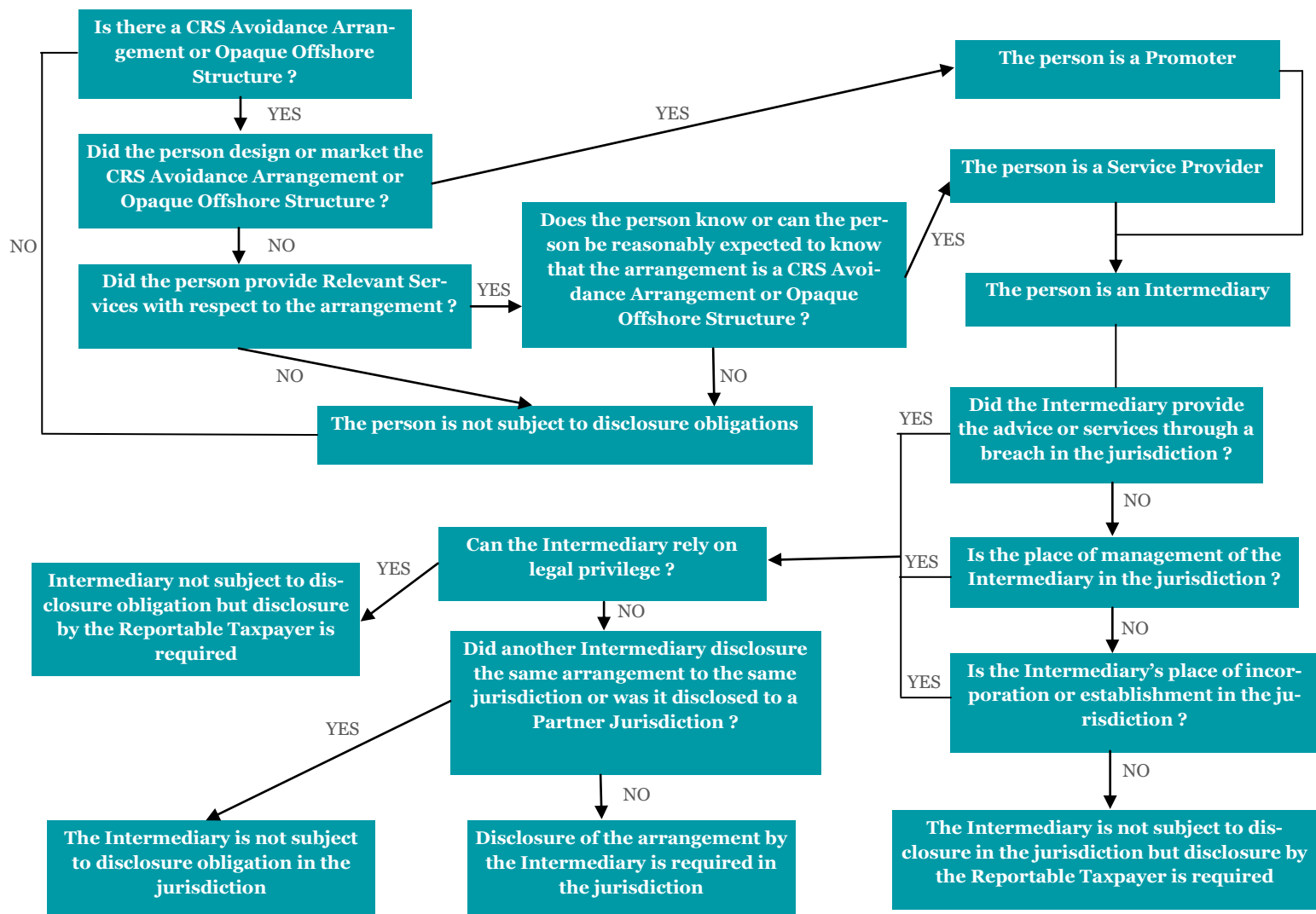
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A high-level overview of the operation of the new rules is illustrated in the flowchart:



## What arrangements are covered?

The rules cover both CRS Avoidance Arrangements and Opaque Offshore Structures.

CRS Avoidance Arrangements are arrangements that are designed to circumvent, or are marketed as, or have the effect of, circumventing the Common Reporting Standard, as implemented in relevant domestic laws. An arrangement circumvents the Common Reporting Standard where it avoids the reporting of CRS information to all jurisdictions of tax residence of the taxpayers in a way that undermines the policy intent of the CRS.

Opaque Offshore Structures are structures that involve the use of a passive entity in a jurisdiction other than the jurisdiction of tax residence of one or more of the beneficial owners and which are designed to, marketed as, or have the effect of, disguising the identity of the beneficial owner(s). Amongst others, this may include the use of nominee shareholders, the exercise of indirect control over entities or the use of jurisdictions with weak rules for the identification of beneficial owners. In order to minimize reporting in low-risk situations there is a carve-out from the definition of Offshore Structure for Institutional Investors.



## Which Intermediaries are subject to the new rules?

The rules cover both Promoters and Service Providers. These terms are defined, not by reference to the role or occupation of the person, but by the role they play in the design, marketing, implementation or organization of the arrangement or structure.

Promoters are those persons that are responsible for the design or marketing of the scheme or arrangement. This includes instances where the Promoter has introduced features into the arrangement in light of its disclosure under CRS, or for preventing the identification of the beneficial owners, or where the Promoter has marketed the scheme or arrangement as having such outcomes. This definition could include a wealth planner or financial adviser that encouraged their client to enter into an arrangement on the basis that it was not subject to CRS reporting.

Service Providers are persons that provide assistance or advice with respect to the design, marketing, implementation or organization of the scheme or arrangement. This may for instance include the advice provided by a lawyer, accountant or financial adviser, as well as account management or compliance services. A Service Provider is, however, only required to disclose an arrangement or scheme under the rules when that person knows or can be reasonably expected to know that the arrangement or scheme is subject to disclosure. This would typically be the case when the Service Provider, based on the information that is on file or readily available, has knowledge, or can be expected to have such knowledge in light of the expertise required for the services provided, that the arrangement or scheme has the effect of circumventing the Common Reporting Standard or disguising the beneficial owners. The definition would not be expected to apply to financial institutions carrying out routine transactional banking functions where the financial institution could not be expected to have the requisite knowledge or expertise to determine whether those services were being supplied in respect of an arrangement or structure that was disclosable under the rules.

**What information will be reported?**

The information to be disclosed by the Intermediary with respect to a CRS Avoidance Arrangement or Opaque Offshore Structure includes all the steps and transactions that form part of the Arrangement or Structure including key details of the underlying investment, organization and persons involved in the Arrangement or Structure and the relevant tax details of the Clients and users of the Arrangement or Structure, as well as any other Intermediaries, but only to the extent that such information is within the Intermediary’s knowledge, possession or control.

The description may include references to marketing materials, structure diagrams, presentations and other documents that provide context or explain the structure or arrangement in further detail. It should also include information on all jurisdictions where a CRS Avoidance Arrangement or Opaque Offshore Structure has been made available for implementation.

**When must the information be reported?**

A Promoter must disclose the CRS Avoidance Arrangement or the Opaque Offshore Structure within thirty days from the moment it makes the arrangement or structure available for implementation to either other Intermediaries or taxpayers, i.e. when the Promoter has completed material design elements of the arrangement or structure and has communicated these elements to its client and/or taxpayer.

A Service Provider must disclose the arrangement or structure within thirty days once it provides Relevant Services with respect to the arrangement or structure, but only where the Service Provider knows or can reasonably be expected to know that the arrangement or structure is a CRS Avoidance Arrangement or an Opaque Offshore Structure.

In addition, Promoters are required to disclose CRS

**Will the information that is reported by Intermediaries be exchanged with other jurisdictions?**

For the new rules to meet their objective of providing additional information to tax authorities for their tax compliance activities and of having a deterrent effect against the design, marketing and use of the targeted arrangements and schemes, it is crucial that the jurisdiction(s) of tax residence of the taxpayers using the arrangements and schemes have access to the information.

For that purpose, it is necessary that the jurisdiction where the Intermediary makes the disclosure and the jurisdiction where the taxpayer is resident have a reliable exchange of information relationship in place to ensure that the relevant information reaches the jurisdiction of tax residence of the relevant taxpayer in a timely and structured manner.

To this end, the OECD is currently working on an exchange of information framework for the new rules, to be developed under the multilateral Convention on Mutual Administrative Assistance which, with currently over 115 participating jurisdictions, offers the most global international legal basis for the exchange of the information disclosed under the new rules.

**Are there exceptions to the disclosure obligations for Intermediaries?**

In order to avoid duplicate disclosures, the rules provide that an Intermediary shall not be required to disclose any information on an arrangement or structure that has previously been disclosed to that tax authority by that Intermediary or another Intermediary.

Furthermore, the rules do not require an attorney, solicitor or other admitted legal representative to disclose any information that is protected by legal professional privilege or equivalent professional secrecy obligations, but only to the extent that an information request for the same information could be denied under Article 26 of the OECD Model Tax Convention and Article 21 of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

**Are there also disclosure obligations imposed on taxpayers?**

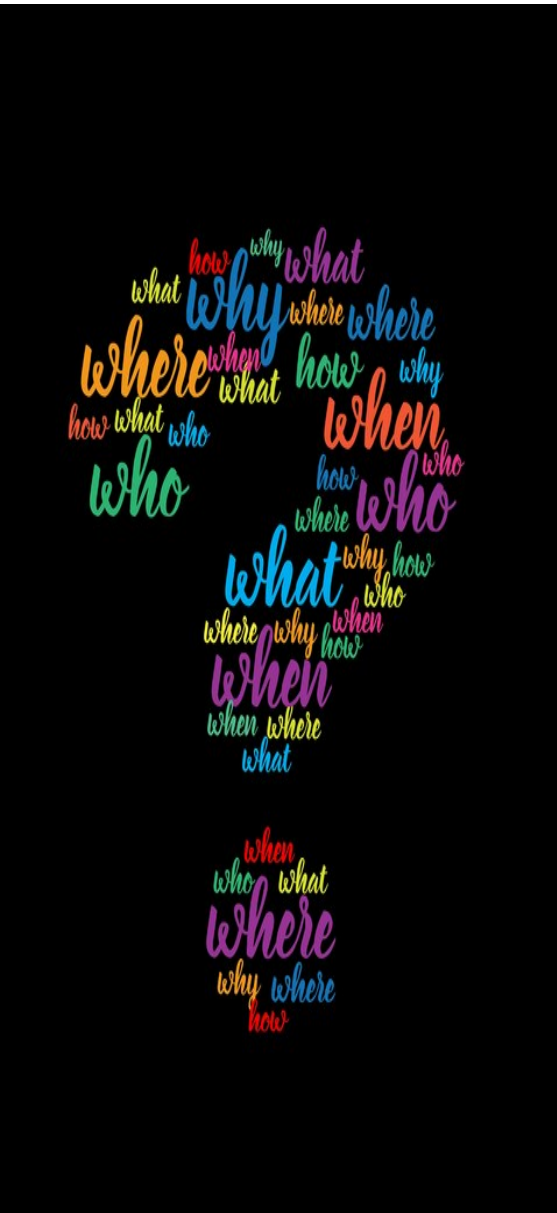
The rules impose a direct disclosure obligation on Reportable Taxpayers where the Intermediary is not required to comply with equivalent disclosure obligations due to the fact that the Intermediary is outside the scope of the rules or bound by the requirements of professional secrecy.

In these cases, the Reportable Taxpayer has to provide all relevant information on the arrangement or structure that is within its knowledge, possession or control. The reason for imposing a secondary disclosure obligation on the taxpayer in these cases is to support the integrity of the rules and to prevent

**Does it make sense to impose mandatory disclosure obligations in cases where taxpayers may deliberately seek to avoid reporting?**

Yes. Evidence from compliance work of tax administrations including through the Panama papers JITSIC network shows that the supply chain for such arrangements typically includes a number of regulated service providers that are likely to comply with reporting obligations.

Also, research on the wealth management industry suggests that, rather than overtly failing to declare income, many high net worth individuals prefer to use (complex) offshore structures that seek to comply with all relevant, formal regulatory requirements, both for themselves and their advisers.



**What are the chances that these rules will be implemented quickly?**

The work was initiated based on a G7 declaration. Many countries are actively considering their introduction. The EU is in advanced discussions to implement the rules as part of a wider directive that would also implement Action 12 on Mandatory Disclosure more broadly. Finally, chapter IX of the CRS, to which other jurisdiction countries have committed, requires these jurisdictions to have rules in place to prevent CRS avoidance arrangements and clearly the MDR can play an important role here. ■

Source : OECD (2018), Model Mandatory Disclosure Rules for CRS Avoidance Arrangements and Opaque Offshore Structures, OECD, Paris. [www.oecd.org](http://www.oecd.org)



« The current trend is to strive for worldwide harmonization of TP documentation »

## Transfer Pricing Update

Transfer Pricing (TP) rules are mainly directed by OECD standards, even if each country issues its own TP legislation, though the current trend is a worldwide harmonization of TP documentation. This documentation is composed of two elements: (1) The **Master File** gives an overall vision of the Group, (2) while the **Local Files** detail information on local entities and their TP transactions. As the case may be, important MNE groups also have to issue a country-by-country (CbC) report. Clients must be TP compliant at both mother company and subsidiary levels. In order to facilitate the realisation of TP documentation, JPA and BDA are working on the development of a dedicated Transfer Pricing IT tool.

### I. OECD rules and definitions

The transactions concerned are intragroup transactions.

Transactions must comply with the **arm's length principle**.

International standard set out in Article 9 of OECD & United Nations model tax conventions.

Prices of intragroup transactions must be calculated as if the transaction had taken place between independent businesses.

OECD **provides the basis** to draft TP documentations and different methods to price TP transactions.

**Each country** issues its own TP legislation, including all requirements to be met by taxpayers and related procedures and penalties.

**TP national rules may be more or less permissive and group TP strategy may result from location of a subsidiary in a TP restrictive country.**

### II. Update

**Latest OECD rules concerning TP documentation (BEPS Action 13) are as follows:**

- ⇒ Multinational enterprise (MNE) to disclose additional information in TP reports
- ⇒ Proposed standardized format :
  - General information about the group (*Master File*)
  - Detailed information of each entity (*Local File*)
  - Country-by-country (*CbC*) report—content to be detailed in another newsletter
- ⇒ Requirement of economic analysis (benchmarks)
- ⇒ Effective in France since 1 January 2018
- ⇒ Panama, the Cooks Islands and Romania have planned to align their TP policy with the OECD standards in 2019

**Lately, OECD published documents related to financial transactions, intangible assets, permanent establishment, profit split method, etc.**

**The current trend is to strive for worldwide harmonization of TP documentation.**

### III. Master File structure

The Master File mentions relevant standardized information for all members of the MNE group including organizational structure, business model, Group's intangibles, financial activities, financial and tax positions.

**The goal is to have an overall vision of the Group.**

### IV. Local File structure

The local country TP documentation is prepared by each local entity and submitted to the local tax authority.

An **in-depth analysis of MNE** is conducted (3 parts):

1. General information on the local entity
2. Controlled transaction involving local entity
3. Local entity financial and tax positions

The file specifically refers to the material transactions of the local taxpayer.

The local entity performs a functional and economic analysis of international transactions

**The goal is to have detailed information on the local entity and its TP transactions.**

### V. TP approaches and compliance requirement

Clients must be TP compliant at both mother company and subsidiary levels.

Indeed, we are currently witnessing a multiplication of TP audits around the world and potential double taxation issues.

There are two TP approaches:

- ⇒ Top-to-bottom for global TP mission initiated by the Top Management;
- ⇒ Bottom-up for subsidiaries urged by CFO, accountants, tax authorities, etc., to provide TP documentation. ■

### JPA INTERNATIONAL CONSULTING IN BORDEAUX

**BDA** is a French law firm located in Bordeaux specialized in tax & legal services.

Qualified attorneys working at BDA have extensive experience in French and international tax matters.

They focus their practice on the taxation of French and multinational corporations, particularly on the structuring of merger & acquisition transactions, restructuring projects joint ventures and asset financing with special emphasis on transfer pricing issues.

They are also active in tax audits and litigation matters in EC, especially in cases relating to domestic and international tax issues, such as transfer pricing, mutual agreement procedures and double taxation treaties.

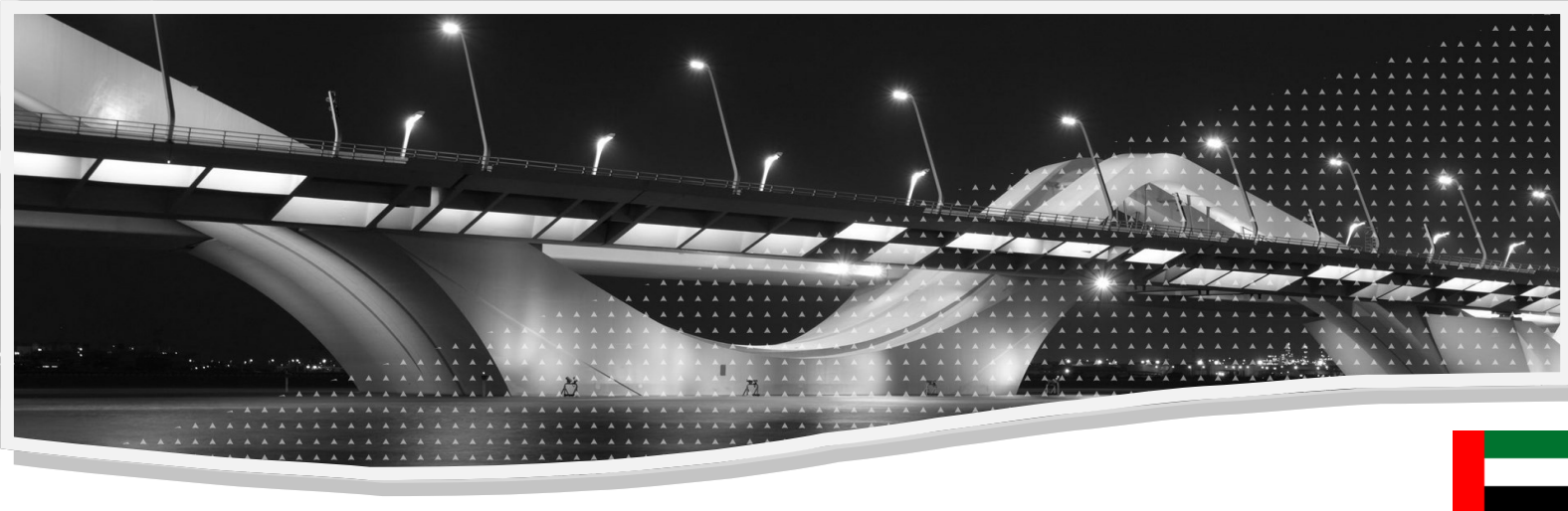
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« The GCC States are introducing VAT over a period of time. This Article describes the rules »

## Update on the Implementation of Value Added Tax (VAT) in the United Arab Emirates

VAT is now applicable in UAE on most goods and services at a standard rate of 5%. However, specific sectors benefit from a 0% rate, as for instance the exportation of goods and services out of the GCC countries. Finally, some other sectors are exempted from VAT.

In other words, there are three types of VAT rates which could apply :

A. Items with Zero-Rated Items of VAT

B. Items Exempted of VAT

C. Any other products or services are subject to a standard rate of 5%

### A. Zero-Rated Items of VAT

VAT will be charged at 0% in respect of the following main categories of supplies:

- Exports of goods and services to outside the GCC.
- International transportation and related supplies.
- Supplies of certain sea, air and land means of transportation (such as aircraft and ships).
- Certain investment grade precious metals (e.g. gold, silver, of 99% purity).
- Newly constructed residential properties, that are supplied for the first time within 3 years of their construction.
- Supply of certain education services and supply of relevant goods and services.
- Supply of certain Healthcare services and supply of relevant goods and services.

### B. Exemptions of VAT

The following categories of supplies will be exempt from VAT:

- The supply of some financial services (clarified in VAT legislation)
- Rent on Residential properties
- Bare land
- Local passenger transport

### C. Standard rate VAT is 5%

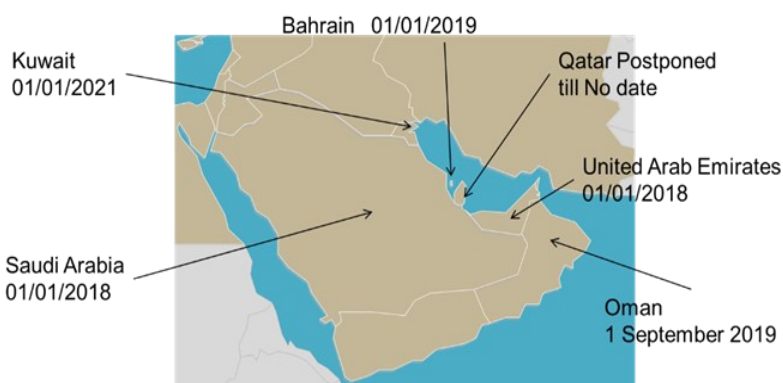
Any other product or services are subject to a standard rate of 5%.

The Gulf Cooperation Council (GCC), of which the Kingdom of Saudi Arabia, UAE, Kuwait, Bahrain, Qatar and Oman are member states, has decided to implement the Value Added Tax (VAT) at a rate of 5% starting from 1st January 2018.

However, only the UAE and the Kingdom of Saudi Arabia (KSA) effectively implemented this by 01/01/2018.

Kingdom of Bahrain followed them one year later and has implemented from 01/01/2019.

### Rate and implementation in GCC



### Rates in some other Middle East Arab countries

Somalia	10%
Lebanon	11%
Egypt	14%
Mauritania	14%
Jordan	16%
Sudan	17%
Algeria	17%
Tunis	19%
Morocco	20%

## Who is required to register

Any business or individuals with a total annual taxable turnover achieved or expected to exceed the mandatory registration threshold of AED/SAR 375,000 (approximately USD 100,000).

Businesses may elect to register for VAT voluntarily if their annual taxable turnover exceeds AED/SAR 187,500 (approximately USD 50,000).

## Payment of VAT

A GIBAN is a unique IBAN number that is given to every taxable person.

A taxable person can make a fund transfer from certain UAE financial institution using the GIBAN provided by the FTA.

This payment method can be used for settling any outstanding VAT and Excise Tax amounts payable including tax and penalties.

This option should not be used for other payments such as Miscellaneous Payments.

## Type of Payment

Payment of tax due can be done using any of the following options:

- Paying via e-Dirham or credit card
- Paying via e-Debit
- Paying via Bank Transfer – Local Transfer
- Paying via Bank Transfer – International Transfer

## Figures in United Arab Emirates by end of 2018

We now observe that 296,000 businesses or individuals are registered in Tax Authority, with 650,000 tax returns submitted.

176 Tax Agents are registered with Tax Authority. The Federal Tax Authority website provides details and information (<https://tax.gov.ae/en/tax-support/tax-agents/registered-tax-agents>).

The Tax Refunds for Tourists have started by November 2018. The average of daily claims is around 5,000.

Finally, Tax Refunds for Foreign companies have started by January 2019 based on the following requirements:

- Companies should not have office/branch in GCC.
- Companies should be from any country that acts the same.
- Donation, Grants and Sponsorship are considered under VAT if the granter receives benefit such as their logo is shown or other benefit.

## VAT recovery rules for charities

A charity may be making taxable supplies and also undertaking non-taxable activities. The VAT incurred in respect of taxable supplies will be recoverable under the normal rules.

The remaining VAT will be recoverable by Designated Charities under the special refund rules applicable to such charities.

VAT incurred in respect of exempt supplies however can never be recoverable nor will any VAT on specific input tax for “blocked” items, such as business entertainment.

Consequently, a charity may need to apportion VAT incurred on costs so that only that amount which is eligible to be reclaimed can be so reclaimed

## VAT Refund for building new residences by UAE Nationals

Where a UAE National owns or acquires land in the UAE on which they build or commission the construction of his / her own residence, he / she shall be entitled to make a claim to the FTA to refund the VAT on the expenses incurred on the construction of the residence, subject to certain conditions as detailed in Article (66) of Cabinet Decision No (52) of 2017 on the Executive Regulation of the Federal Decree – Law No. 8 of 2017 on Value Added Tax.

## Verification Body

Verification Bodies are third parties that have been approved by the FTA to perform a detailed review of the expenditure, invoices and VAT incurred in order to verify the VAT refund that the applicant will claim

## Expense items eligible / not eligible for refund

Expense items eligible for refund	Expense items NOT eligible for refund
<ul style="list-style-type: none"><li>• Services of builders</li><li>• Services of architects</li><li>• Services of engineers</li><li>• Supervisory services</li><li>• Other similar services necessary for the successful construction of the residence</li><li>• Building materials that make up the fabric of the property (e.g. bricks, cements, tiles, timber)</li><li>• Central air conditioning and split units</li><li>• Doors</li><li>• Decorating materials (e.g. paint)</li><li>• Dust extractors and filters</li><li>• Fencing permanently erected around the boundary of the dwelling</li><li>• Fire alarms and smoke detectors</li><li>• Flooring (excluding carpets)</li><li>• Guttering</li><li>• Other heating systems</li><li>• Kitchen sinks, work surfaces and fitted cupboards</li><li>• Lifts and hoists</li><li>• Plumbing materials</li><li>• Power points</li><li>• Sanitary units</li><li>• Shower units</li><li>• Window frames and glazing</li><li>• Wiring when embedded inside the structure of the building</li></ul>	<ul style="list-style-type: none"><li>• Furniture which is not affixed to the building such as sofas, tables, chairs, bedroom furniture, curtains, blinds, carpets</li><li>• Electrical and gas appliances, including cookers</li><li>• Landscaping, such as trees, grass and plants</li><li>• Free-standing and integrated appliances such as fridges, freezers, dishwashers, microwaves, washing machines, dryers, coffee machines;</li><li>• Audio equipment (including remote controls), built-in speakers, intelligent lighting systems, satellite boxes, free view boxes, CCTV, telephones</li><li>• Electrical components for garage doors and gates (including remote controls)</li><li>• Garden furniture and ornaments and sheds</li><li>• Swimming pools</li><li>• Verification Body fees</li></ul>



## Entitlement to recover input tax

A taxable person is able to recover input tax incurred on the purchase of goods and services where certain conditions are met. Thus, the recovery of input tax will be permitted where acquired goods and services are used, or intended to be used, in making any of the following:

- Taxable supplies;
- Supplies that are made outside the UAE which would have been considered taxable had they been made in the UAE; and
- Supplies of financial services which would have been treated as exempt if made in the UAE, but which are provided to a person who is outside the UAE and are treated as taking place outside the UAE.

## Voluntary Disclosures

A Voluntary Disclosure is a form provided by the Federal Tax Authority (“FTA”) pursuant to which the Taxpayer notifies the FTA of an error or omission in a Tax Return, Tax Assessment or Tax Refund application.

If an error resulted in a calculation of the Payable Tax being less than required by more than 10,000 Dirhams, the person shall make a voluntary disclosure to the FTA before 20 business days from the date when the taxable person became aware of the error.

If it is 10,000 or less, the person shall correct the error in the Tax Return for the Tax Period in which the error has been discovered (if he is obligated to submit a Tax Return to the FTA for this Tax Period) before the due date for the submission of the respective Tax Return ; or make a Voluntary Disclosure to the FTA (if there is no Tax Return through which the error can be corrected) within 20 business days from the date of becoming aware of the error.

## Designated Zones

Historically, Free Zones have been excluded from the territorial scope of the UAE. For VAT purposes, this is not automatically the case. Only those Free Zones listed in a Cabinet Decision qualify for special VAT treatment and that special VAT treatment has certain limitations. These nominated Free Zones are known as Designated Zones for VAT purposes.

Designated Zones are:

- subject to strict control criteria;
- required to have security procedures in place to control the movement of goods and people to and from the Designated Zone;
- required to have Customs procedures to control the movement of goods into and out of the Designated Zone; and
- treated as being outside the territory of the UAE for VAT purposes for certain supplies of goods.

The effect for businesses operating in Designated Zones will be that many supplies of goods will be outside the scope of UAE VAT, subject to strict criteria and detailed record keeping. However, supplies of services are subject to the normal UAE VAT rules.

We can name for example the Free Trade Zone of Khalifa Port, the Abu Dhabi Airport Free Zone, the Khalifa Industrial Zone.

## Summary of the VAT liability of supplies of real estate

<b>Commercial property</b>	5%
<b>New residential property</b>	0%
<b>Existing residential property</b>	Exempted
<b>Bare land</b>	Exempted
<b>Covered land</b>	5%
<b>New charitable building</b>	0%
<b>Existing charitable building</b>	5%
<b>Property located within a designated zone</b>	Out of scope



## VAT treatment of insurance charges

Types of insurance	Liability of charges
<b>General insurance, Motor insurance, Real estate insurance, Fire and theft Contents insurance</b>	Premium – standard-rated if the recipient is resident in the UAE; zero-rated if the recipient is resident outside the GCC Implementing States, is located outside the UAE and the performance of the insurance services is not received by anyone in the UAE who would not be able to recover VAT incurred.
<b>Life insurance, Individual Group Investment-linked policy, Life annuity Term</b>	In all cases: · exempt if recipient is resident in UAE; · zero-rated if the recipient is resident outside the GCC Implementing States, is located outside the UAE and the performance of the insurance services is not received by anyone in the UAE who would not be able to recover VAT incurred.
<b>International Transport, Aviation/Marine, Cargo, Transportation of Passengers</b>	Premium – zero-rated if in respect of international transportation services only, but not for travel insurance.
<b>Travel</b>	Standard-rated if the recipient is resident in the UAE; Zero-rated if the recipient is resident outside the GCC Implementing states, is located outside the UAE and the performance of the insurance services is not received by anyone in the UAE who would not be able to recover VAT incurred.
<b>Other Public indemnity, Medical Accident, Public liability</b>	Standard-rated if the recipient is resident in the UAE; · Zero-rated if the recipient is resident outside the GCC Implementing states, is located outside the UAE and the performance of the insurance services is not received by anyone in the UAE who would not be able to recover VAT incurred.
<b>Reinsurance</b>	Same general principles apply as above. ■

## **JPA INTERNATIONAL CONSULTING IN UAE**

**JPA Auditing & Accounting** is our member in the United Arab Emirates.

At the office of the Arbitrator Dr. Redha Darwish Al Rahma the team is more than 60 specialist in the areas of "law, audit and accounts and governance". They hold high qualifications graduate, for example, doctoral, master's, bachelor's and certificates of fellowship in the accounts, auditing and cost accounting, CA, CMA, ACPA and CPA and other ... each in his field and most notably (audit managers, 10 Senior auditors, 15 auditors, 16 financial and economic and legal Consultants, 7 accountants and 12 employees in secretarial services and customers care department).

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« This article continues to examine the different rules and regulations that the tax professional is required to follow in their jurisdiction »

## Comparison of the tax profession in the JPA countries—Part II

### I. Rules on advertising

... are common for professionals, when a country has specific legislation or codes of conduct. In general, advertising must not be **wrongful, misleading or otherwise inappropriate**.

Some codes refer to the **dignity of the profession** and the **clients' confidence**.

In some countries, specific forms of cold-calling are banned. Unsolicited direct marketing through e-mail and telephone calls may be restricted. In France and Portugal the choice of media is restricted.

However, such prohibitions can be contrary to EU law (Art.24 (1) Services Directive)

### II. Professional indemnity insurance

Many countries require professional indemnity insurance for tax advisers practicing in their territory. There is no requirement for tax advisers to attain this type of insurance under EU law, but leaves it to the Member States to decide.

For example, countries where **no** insurance is required include:

**Finland, Greece, Latvia, Malta, Russia, Spain, Ukraine.**

But many tax advisers also hold other qualifications such as that of a practicing accountant or lawyer and for such qualifications insurance may be required.

Regulation in **Germany** for example:

A company of tax advisers with limited liability (Partnerschaftsgesellschaft mbB) must be insured with €1.0 million per case/year. If the amount insured for more cases per year is limited, this amount shall be minimum €4.0 million.

### III. Price regulation and fees

It is common practice that clients have the right to know in advance the basis on which fees will be calculated.

To our knowledge there are no fixed prices for services offered by tax advisers in any country. However, in some countries there are general guidelines on what criteria should be taken into account when determining the price.

In Germany, the price must be within a fee margin determined by decree-law.

In Austria, invoicing is based on a time-based principle and for designated services an additional ad valorem remuneration between 0,2% and 1,5% of the value of the item or asset. ■

## TAX RETURN



### JPA INTERNATIONAL CONSULTING IN GERMANY

**RENTROP & PARTNER** is one of the founding members of JPA INTERNATIONAL starting from its head office in Bonn to expand the network all over Germany where at present six different member firms are situated in eight different cities. Nearly all German members have joined JPA Audit AG, a company for common purposes and especially common audit work.

RENTROP & PARTNER, a medium sized company of about 30 people, 10 of them professionals, is serving its clients for more than 50 years with a focus on tax services, consulting and auditing. Hans Ronneberger Wirtschaftsprüfer and Steuerberater, the leading Senior partner, chairman of JPA Audit AG, started his career in PWC as auditor for airline businesses. He is very much engaged now with his team of different professionals to find the right way for medium sized clients in a world of accelerating globalization.

Your personal advisor:

**Hans RONNEBERGER**

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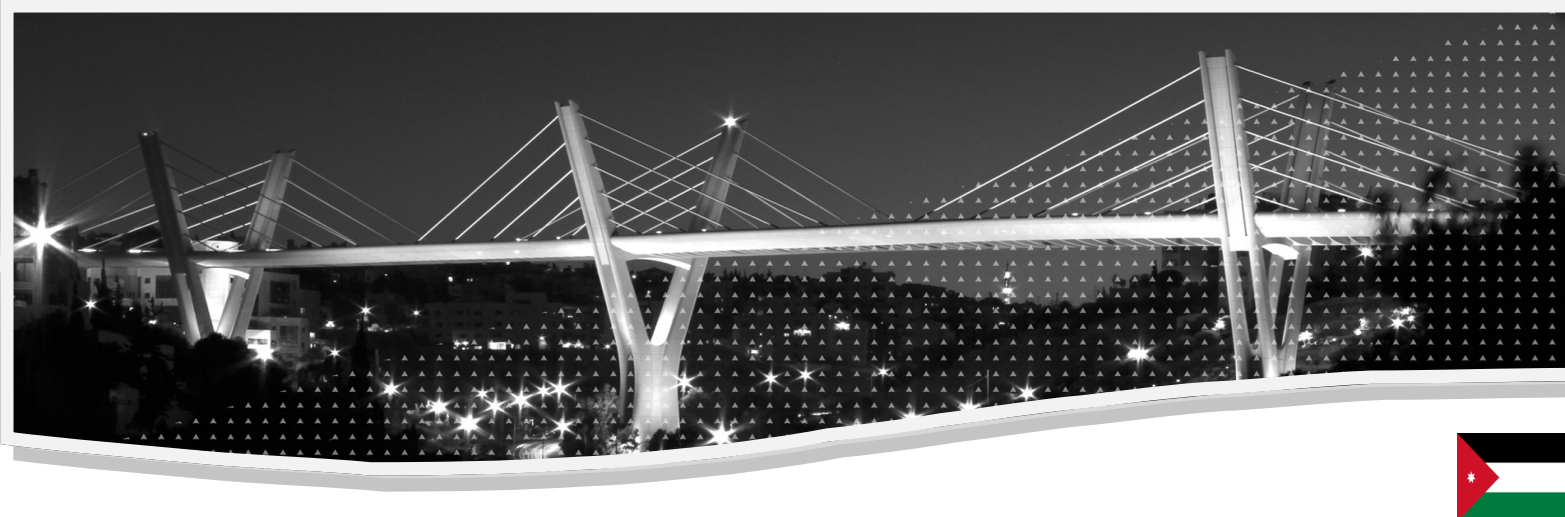
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Source : CFE Confédération Fiscale Européenne, Rudolf Reibel, European Professional Affairs Handbook for Tax Advisers, Second edition 2013.



« This article explains the impact for individual and corporate taxpayers in reference to the previous legislation »

## Income Tax Update from Jordan

The new Jordanian Income Tax Law for the 2018 year is effective from 1st January 2019. The Jordanian Council of Ministers published the amended income Tax Law No. (38) to fix distortions in the previous Income Tax Law in terms of tax efficiency in collection and fair distribution for taxpayers. This article explains the impact for individual and corporate taxpayers in reference to the previous legislation.

### Taxable Income

**Article (3)** Paragraph (1) Any income generated in or from the Kingdom for any person regardless of the place of payment shall be taxable.

**Currency:** Jordanian Dinar (JOD) = 0.709 USD  
Stable exchange rate for the last 10 years.

### Individual Taxation

Annual tax exemption	New Tax Law JOD/Year	Old Tax Law
An exemption for resident taxpayer	<b>10,000 JOD</b> for 2019 and <b>9,000</b> for 2020 and following years	<b>12,000</b> JOD/Year
An exemption for resident dependents regardless of their number	<b>10,000 JOD</b> for 2019 and <b>9,000</b> for 2020 and following years	<b>12,000</b> JOD/Year
Additional exemption against medical expenses, education expenses, rent and home loan interest and Murabaha	a. <b>1,000 JOD</b> to the taxpayer starts from the year 2020 onwards. b. <b>1,000 JOD</b> for the taxpayer's spouse starts from the year 2020 onwards. c. <b>1,000 JOD</b> for each son/daughter up to a maximum of (three thousand) dinars.	<b>4,000</b> JOD

### Personal Income Tax

Income Tax rate / New Tax Law JOD/Year	Income Tax rate / Old Tax Law
<b>(5%)</b> on each Dinar of the first 5,000 JOD of taxable income.	<b>(7%)</b> on 1 JOD – 10,000 of taxable income
<b>(10%)</b> on each Dinar of the Next 5,000 JOD of taxable income.	<b>(14%)</b> on 10,001 JOD – 20,000 JOD of taxable income
<b>(15%)</b> on each Dinar after the Next 5,000 JOD of taxable income.	<b>(20%)</b> on 20,001 JOD+ of taxable income
<b>(20%)</b> on each Dinar of the Next 5,000 JOD of taxable income.	
<b>(25%)</b> on each Dinar that follows up to a one Million JOD of taxable income.	
<b>(30%)</b> on each Dinar of taxable income exceeding one Million JOD of taxable income.	

### Corporation Taxation

Industry	New Tax Law/ Income Tax rate	Old Tax Law/ Income Tax rate
Standard corporate tax rate	20%	20%
Main telecommunication companies, electricity generation and distribution companies, basic mining material companies, insurance companies, reinsurance companies, financial intermediaries, financial companies and legal persons undertaking financial leasing activities	24%	24%
Banks	35%	35%
Industrial sector except the below:	20%	14%

the percentage shown below shall be reduced and for a period not exceeding Five years from beginning of 2019 from the tax due on industrial activities as per the below:

1. Industrial activities except for pharmaceutical and clothing:

Year	Percentage
2019	25%
2020	20%
2021	15%
2022	10%
2023	5%

2. pharmaceutical and clothing industry:

Year	Percentage
2019	50%
2020	30%
2021	20%
2022	10%
2023	5%

## Development Zones Income Tax

Tax is imposed on the income of the institution registered in the Development Zones arising from transformational industrial activities with a total local value-added of at least (30%) at a rate of (5%).

Tax is imposed on the income of the institution registered in the Development Zones for other projects and activities at a rate of (10%).

## Free Zones

Tax shall be imposed on income arising to the institution registered in the Free Zone at the tax rate specified above, for personal and corporate income tax.

## Information Technology Income Tax

The scope is Information Technology companies and institutions that deal with creating, processing, and storing information using electronic devices and software.

Gains of information technology companies and institutions are exempted for 15 years from the date of its establishment, or from the date of enforcement of the provisions of this amended Law, whichever is earlier.

## New tax/ National Solidarity Account

The assets of this account are to settle the public debt as follows:

- a. 3% of the taxable income of banks and electricity generation and distribution companies.
- b. 7% of the taxable income of basic mining material companies.
- c. 4% of the taxable income of financial intermediaries, financial companies and legal persons undertaking financial leasing activities.
- d. 2% of the taxable income of telecommunication companies, insurance companies and reinsurance companies.
- e. 1% of the taxable income of all other legal entities.
- f. 1% of the natural person's taxable income exceeding (2000.00) Two Thousand Dinars.
- g. Donations and gifts.

## End of Service Benefit

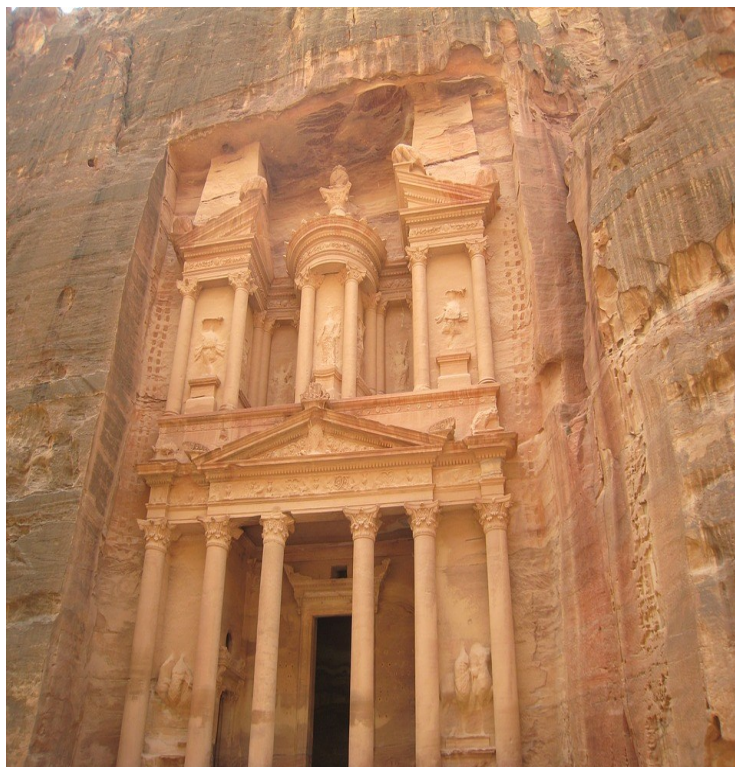
- a. (100%) for the employee's services prior to 31/12/2009.
- b. (50%) for the employee's services from 1/1/2010 to 31/12/2015.
- c. The first (15,000) fifteen thousand dinars for the employee's services from 1/1/2015.
- d. Amount exceeding those provided for in items (b) and (c) of this Article shall be subject to tax a rate of 9%.

## Withholding tax

Any income for non resident Persons is subject to 10% withholding tax from source and considered as a final tax.

## Losses

Losses are carried forward to the following tax periods up to five years from becoming final. ■



### **JPA INTERNATIONAL CONSULTING IN JORDAN**

**BAYT ALHEKMAH** provides quality services and is recognized as business advisors of choice, with integrity and good reputation.

They provide quality services that address clients business needs and continuously develop their market profile and position themselves as business advisors. The firm is sustainably growing and actively recruiting, retaining talent, providing a stimulating environment to achieve personal and professional goals.

Mr. Ali Alqudah has over 18 years of experience in tax and accounting. Prior to joining Bayt Alhekmah, he co-founded the PKF Planning Tax Advisory when it was a new venture and worked as a partner for 5 years. Mr. Alqudah has also worked as a technical trainer to the auditors of the Income and Sales Tax. He was nominated by the USAID as an expert auditor where he trained his colleagues on the field of tax auditing. Mr. Alqudah was also awarded the King Abdullah II Award for Excellence in Government Performance and Transparency (the most prestigious government award) during his work at Income and Sales Tax department in Jordan for 13 years. Mr. Alqudah holds a Master's degree in accounting from Yarmouk University.

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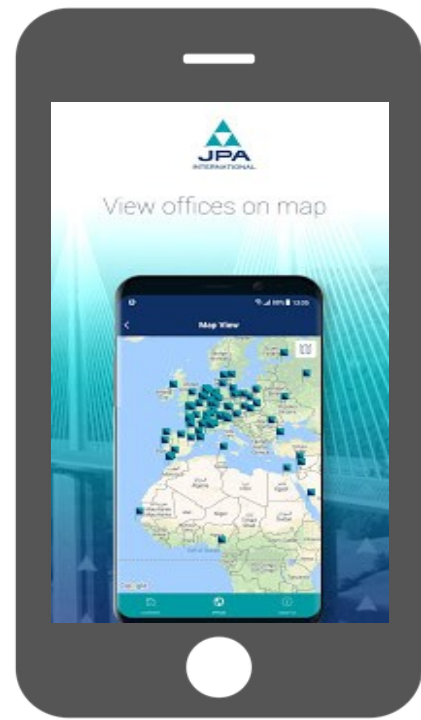
## DO YOU REMEMBER

... being face to face with a new business partner for two hours in a restaurant **without any conversation topics** ?

... standing in meetings with your potential clients while they all look at you embarrassed because of an **unintended hasty action** of yours ?

... explaining your point of view about a cross border project and having **no idea of the regulatory consequences** of your choices ?

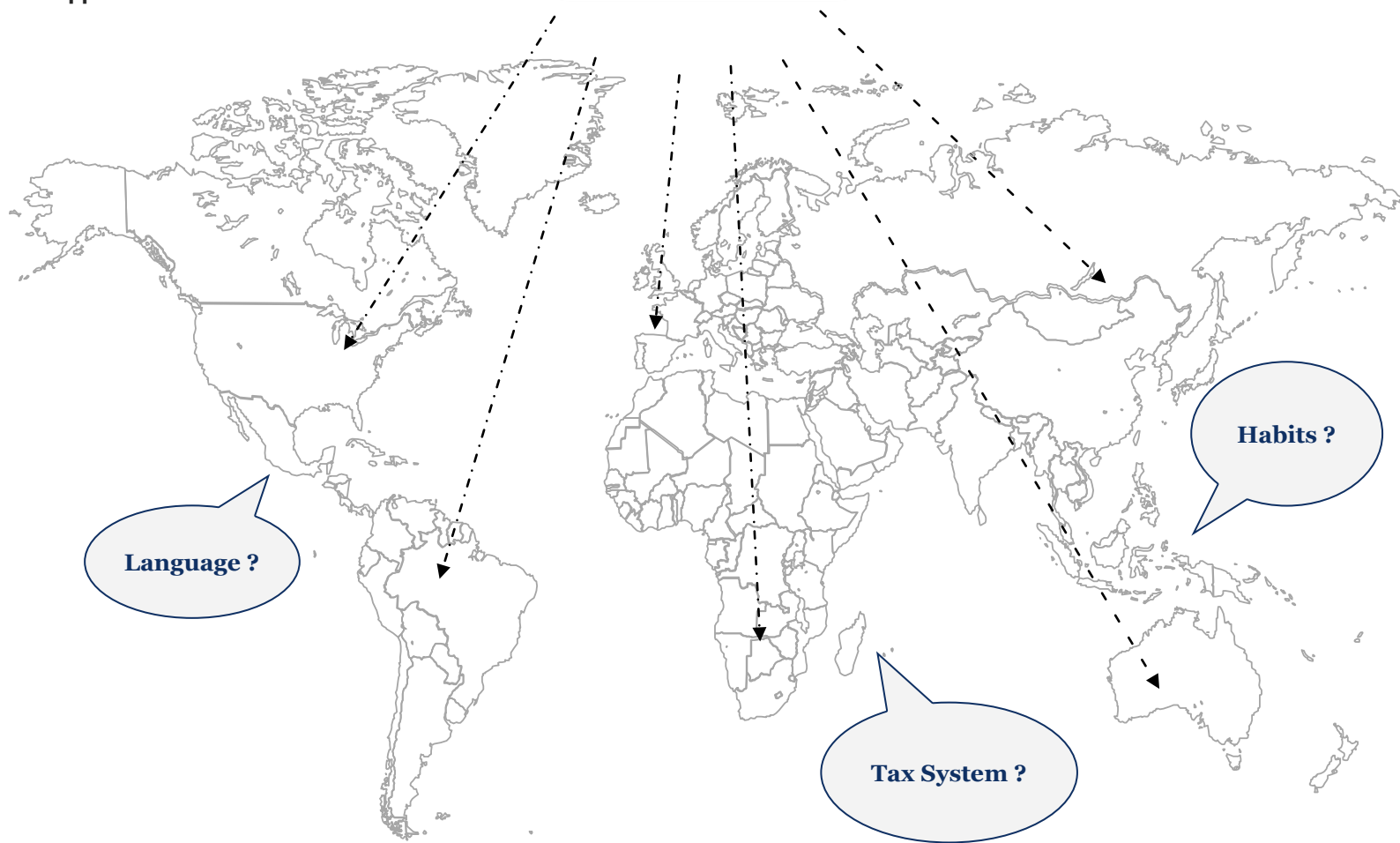
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