Middle East: Major VAT Updates in 2022

Recent changes and updates in the Middle East (ME) are as follows:

E-invoicing is in rise in the ME. Several countries (KSA and Egypt) have introduced such a system or are planning to introduce one.

Bahrain has increased the standard VAT rate to 10% (from 5%). The new rate generally applies as of **1 January 2022**. However, for supplies and imports undertaken under contracts entered into before this date, the previous rate of 5% will continue to apply until the expiry, the renewal or the amendment of the contract, or the elapse of **1 year** from the effective date of the new rate, whichever is earlier.

VAT implementation in **Kuwait** and **Qatar** is likely to be delayed until **2024**.

Bahrain

Plans for e-invoicing

The Bahrain's tax authorities (National Bureau for Revenue – NBR) has launched a survey to estimate the volumes and nature of VAT invoicing. This includes taking a mandatory questionnaire on invoicing pattern volumes and the use of e-invoicing. This information is likely to be used in the preparations for the introduction of mandatory electronic invoicing.

This could include Continuous Transaction Control (CTC) model with pre-clearance of e-invoices by the authorities.

NBR: Digital Tax Stamps on Excise Goods starting May 2022

NBR has announced the introduction of Digital Tax Stamps on Excise Goods starting from the 15 May 2022 for imported Cigarettes, and retailed Cigarettes starting 14 August 2022.

Egypt

New simplified VAT registration & reporting

Egypt recently amended its VAT law to introduce new simplified registration and reporting requirements for non-resident digital services providers and sellers of goods. The legislation is effective as of 27 January 2022, but the law grants a 6-month grace period for non-resident providers of digital services, and a 2-year grace period, for non-resident sellers of goods. This will allow the Egyptian Tax Authority (ETA) to issue Executive Regulations and guidance. At present, it is unknown whether the local VAT registration threshold of EGP 500,000 (c.$32,000) will equally apply to non-resident suppliers. It is expected that non-residents may have to comply with Egypt's mandatory e-invoicing requirements.

Introduction of mandatory B2C e-Invoicing from July 2022

Egypt launched a pilot of e-invoicing / receipts on 15 April 2022. It will be made mandatory from 1 July. This follows the roll out of B2B e-invoicing since last year.

The Ministry of Finance (MOF) has declared that it will cover both goods and services to non-VAT registered citizens. The pilot will include the use of point-of-sale live reporting of transactions in retail.

B2B e-invoicing has been rolled out since last year, and largely completed in February 2022. Egypt implemented a Continuous Transaction Controls (CTC) regime, including pre-clearance of e-invoices by the tax authorities.

B2C e-receipt system pilot announced

The ETA has issued a decree implementing the e-receipt system for companies located in Cairo, Giza and Kaolbia with effect 1 July 2022. Egyptian taxpayers should generate a QR code and place it on the printed receipt. This QR code represents a URL to the receipt details in the eInvoicing portal. The overall goal of the Egyptian e-receipts solution is to enable the ETA to digitally capture receipts issued by the taxpayers in the country to consumers at the point of sale (POS). E-receipts will enable reporting of transactions to the ETA and provide some new insights and help the ETA and MOF fight fraud.

Paper invoices will not be considered in deducting or refunding VAT as of 1 July

Only electronic invoices will be considered, with the exception of paper invoices issued by companies or establishments before they were obligated to implement the electronic invoice system as well as invoices issued by companies or establishments that the ETA has not decided to obligate to transition to an electronic system, taking into account the technical specifications and standards of the electronic system contained in the executive regulations of the Unified Tax Procedures Law.

Israel

Tax Agency Announces Extended Deadlines for Periodic VAT Returns

The Israeli Tax Authority announced the extension to May 23 from May 19 for periodic VAT returns. The extension applies to March and April bi-monthly filers and April monthly filers. To claim the extension VAT reporting must be done online through a VAT network or representative and payments are due May 23.

Jordan

E-invoicing plans

Jordan is looking to implement electronic invoicing shortly. The tender request includes a specialized E- solution in invoicing to collect data and manage information of sales processes from sellers/ buyers or any third party.

Oman

Voluntary e-invoicing 2023; mandatory to be confirmed

The Tax Authority has confirmed its plan to introduce electronic invoicing. The plan is to open e-Invoicing to VAT registered taxpayers in Oman on a voluntary basis to start, and then subsequently on a compulsory basis.

Saudi Arabia (KSA)

Effective from 1 January 2023, all invoicing systems must be compatible with the ZATCA system. The integration with the ZATCA's system will be rolled out progressively based on the taxpayer class. ZATCA will inform taxpayers at least 6 months before their mandatory integration date.

During this phase the following requirements must be followed: all electronic invoices including tax invoices or simplified tax invoices and their associated documents must be generated in an XML or PDF/ A-3 (with XML) format.

After 1 January 2023, taxpayers will be required to transmit their invoices to the tax authority platform in real-time. More details on the upcoming CTC regime are expected to be published by the ZATCA.

KSA introduced its e-invoicing system in 2021. It is called FATOORAH and is applied in the field of B2B, B2C and B2G relations. KSA began to lay the groundwork in December 2020 when ZATCA, formerly GAZT, published the Electronic Invoicing Regulations specifying the terms, requirements and conditions related to electronic invoices and their associated notes. On 28 May 2021, it released additional details of the settlement: technical specifications, requirements and rules that will mark each phase of the project. Current e-invoicing framework does not require taxpayers to submit VAT relevant data to the tax authority in real-time.

United Arab Emirates (UAE)

Plans to introduce e-invoicing

The UAE is likely to publish plans in 2022 for mandatory B2B e-invoicing.

The UAE is likely to follow the KSA model. This is a two-step approach:

- Ability to produce QR Code e-invoices; B2B (e-invoice) and B2C (e-note where not requirement for a VAT deduction) using an 'E-Invoice Generation Solution' that has been verified and approved by the Federal Tax Authority (FTA).
- Integrate into MOF's validation platform for basic checks and e-signature of approval for customer.

Refund scheme for non-UAE businesses

The refund is available to foreign business visitors from an approved list of countries that offer similar reciprocal refunds in their countries. The minimum refund claim is AED 2,000 (approximately USD 500) and can cover a period of 12 calendar months. The application must be filed online and the foreign business visitor must submit a prescribed list of documents. The refund application for calendar year 2021 can be filed from 1 March 2022 to 31 August 2022.

Timeline for penalty redetermination

Cabinet Decision 108 of 2021 issued on 30 December 2021 extends the period for the redetermination of administrative penalties to 31 December 2022. This follows from an earlier decision that allowed penalties imposed before 28 June 2021 to be reduced if all tax due was paid by 31 December 2021 and 30% of total unsettled penalties imposed before 28 June 2021 were paid by that date. If both of these conditions were fulfilled, the FTA would reduce the penalties payable to 30% of the original amount. The deadline for making the payments has been extended from 21 December 2021 to 31 December 2022.

Voluntary disclosure

The FTA has updated the voluntary disclosure guide to confirm that the late payment penalty for voluntary disclosures will be levied from 20 days after the date the voluntary disclosure is filed, rather than one month after the due date of the return that has been corrected. As a result, if the taxpayer pays the outstanding tax within 20 days of making the disclosure, it will not be subject to a late payment penalty. This change is significant and welcome as it encourages taxpayers to disclose errors and omissions quickly to minimise the penalty cost. The revised guide also includes instructions on voluntary disclosures by tax groups. The format of the voluntary disclosure for tax groups is same as for single registrations, but there is an additional feature that allows the tax group members to view the voluntary disclosure application filed by the group's representative member.

Grant Thornton's international indirect tax team and digital advisory team can assist you in your VAT and customs matters, compliance and update of your systems and processes. Please contact us if you would like to discuss your options and possibilities

Contact

Do you have questions or do you need more detailed information? Please do not hesitate to contact us.

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