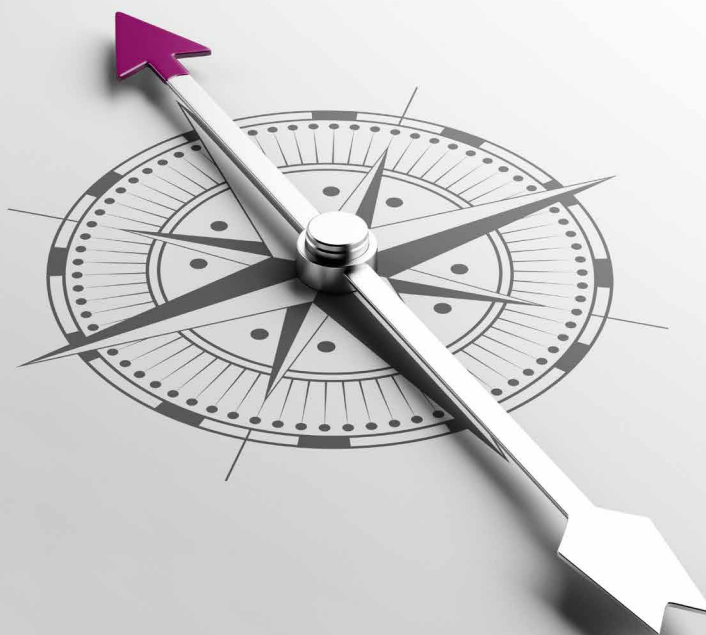


CORPORATE TAX



DECODING UAE CORPORATE TAX LAW

Unanswered Questions
In The Corporate Tax Law - Page 04

Page 07

All you need to know about
Mandatory Unemployment Insurance
in the UAE

Page 13

Top 5 Government
priorities for 2023

Page 21

Abu Dhabi Industrial Strategy:
For a Circular Economy



The Spirit of FIFA

There's something about FIFA that brings the world together. This season, we witnessed some brilliant victories, shocking defeats, and the rise of young legends.

As Argentina walks away with their much deserved victory, football fans across the globe are in the highest of spirits.

Vamos Argentina!

Table of Contents

03

Hello From Us

04

Unanswered Questions In The Corporate Tax Law

07

All you need to know about Mandatory Unemployment Insurance in the UAE

10

ISA 520 Analytical Procedures

13

Top 5 Government priorities for 2023

15

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

18

VAT Implications on Logistics Sector

21

Abu Dhabi Industrial Strategy: For a Circular Economy

23

Events

Hello From Us



As the years rush past, spending some time in self-reflection becomes a necessity. How else do we truly understand how far we've come or where we're headed. There's a quote by Steve Jobs that goes, "You can't connect the dots looking forward, you can only connect them looking backwards". In other words, even though your life may look the same on a day to day, if you consider all the changes that have happened over the last few years, you will start to notice a significant difference. Similarly, small changes to everyday habits that may seem negligible today have the power to change the trajectory of your life. These changes would only make sense in retrospect. So here is a kind suggestion from us to you, to self-reflect and make small, but consistent steps in the right direction.

On that note, welcome to a brand new year and a brand new edition of Evas Plus, our quarterly newsletter series. This time around, we have curated some interesting topics including a deep dive on the much awaited Corporate Tax Regulations in the UAE, all you need to know about mandatory unemployment insurance in the UAE and the top 5 Government priorities for year 2023. We would also like your attention on 2 separate documents we have issued on Corporate Tax (which is in our website).

For our academic section, we will be covering the below topics:

IFRS DESK

International Accounting Standard 37 (IAS 37): Provisions, Contingent Liabilities and Contingent Assets

IAS 37 provides guidance to ensure the appropriate recognition, measurement and various disclosures applied to provisions, contingent liabilities and contingent assets.

ISA DESK

International Standard on Auditing 520 (ISA 520): Analytical Procedures

This standard explains the key aspects while using Analytical Procedures as substantive procedure in forming the audit conclusions.

TAX DESK

Indirect Tax

This issue we cover the various taxation aspects in relation to the logistic sector in the UAE.

Direct Tax

After the publication of Federal Law No. 47 of 2022, we have summarized some of the key aspects, which needs more clarity through the Executive Regulations and Ministerial Decisions.

We hope that you find the information contained herein to be insightful and informative. Do let us know any other topic that you would like us to cover in the upcoming editions.

Happy Reading !

VIJAYA MOHAN

Managing Partner
EVAS International

Unanswered Questions In The Corporate Tax Law

The UAE has introduced the Federal Decree Law No. 47 of 2022 titled Taxation of Corporations and Business ('tax law') on 09th December 2022, which will be applicable from 01 June 2023 onwards.



The tax law proposes to tax the profits of a variety of taxable persons including companies incorporated in UAE, foreign domiciled entities who derive income from the UAE, foreign entities having a permanent establishment in the UAE and natural persons operating through sole establishments or as individual partners in an unincorporated partnership and conducting business in the UAE.

While this was an expected release, it still does not take away the fact that this will be a colossal change in a country which until now have only taxed very few businesses (those engaged in extraction and branches of foreign banks). Introduction of such a tax law was always around the corner since the Emirates plans its transition towards a comprehensive road map that will take the nation to the next era of development. Simultaneously, the UAE's commitment to OECD's BEPS project signalled the inevitability of the tax implementation goals.

In this article, we will concentrate on few unanswered questions in the released tax law, highlight the important future decisions that are still to be announced and discuss the preparatory works to be carried out by the persons to whom Corporate Tax is applicable.

Q1. The curious case of 'State Sourced Income'

Article 11 of the tax law defines a non-resident person to include entities incorporated outside UAE earning 'state sourced income'.

'State Sourced income' is defined in Article 13 and includes any income earned by such non-resident from a resident person, or from its permanent establishment in the UAE or from sale of goods, rendering or using of services, performance of contracts, leasing or sale of movable or immovable properties, right to use of intangible properties, interests and insurance premiums in the UAE.

Even though this definition is wide enough to cover any and all income earned by a non-resident entity from UAE, the curious part is the inclusion of the following paragraph:

"State sourced income shall include income otherwise accrued in or derived from activities performed, assets located, capital invested, rights used, or services performed or benefitted from in the state"

Let's break this down,

The term 'Income otherwise accrued' is not defined in the Corporate Tax law, the same may be interpreted as income from activities other than the activities like sale of goods and rendering of services mentioned above. Hence, any other income earned by a non-resident entity from activities performed, assets located, capital invested, rights used, or services performed and benefitted in the UAE will be taxable.

Through this paragraph, the question under consideration is whether UAE gets extra territorial rights for taxing foreign juridical persons. Most specifically, regarding an overseas transaction involving sale of shares of such foreign juridical persons which may have assets in the UAE indirectly owned by it through its UAE subsidiaries.

It is difficult to pin-point now to deliberate on whether this will be the norm going forward without the detailed study of the Ministerial Decisions and the Tax Procedures Law which is expected to be release soon. However, considering the stand today of other tax matured jurisdictions in taxing such transactions, the possibilities of this overseas transaction getting taxed in the UAE by virtue of being a 'state sourced income' is immense.

Q2. The tenure of a construction PE

Article 12 of the tax law provides that taxable income attributable to the Permanent Establishment (PE) of a non-resident person in the UAE is subject to corporate tax.

Point (i) of clause 2 in Article 14 of the tax law provides that a non-resident entity carrying out construction business is regarded to have a PE in the UAE if it has a building site, construction project or place of assembly or installation, or supervisory activities in connection therewith which last more than (6) six months.

It is clear from the above clause that a building or construction site in the UAE where work is carried out for more than 6 months would be regarded as a PE for the non-resident, and the income earned from such construction activity will be subject to tax till the construction is completed.

The question however in consideration is whether the determination of PE is an exercise carried out each year, or in any overlapping period of time.

Let's understand by means of an example.

D Constructions, a company based in UK carries out a construction project in Dubai for another non-resident company. D Constructions does not have any fixed place of business in the UAE and they are supervising this construction activity with the help of its related party in the UAE. The construction was intended for 5 months, but it got completed in 9 months between 01 September 2024 to 31 May 2025.

For the year 2024, the construction happened for 4 months (Sep to Dec 2024), which is not a sufficient time for meeting the construction PE exposure, hence the income received by D Constructions would not be considered as income earned from PE.

In the year 2025, the construction happened for only 5 months (Jan to May 2025), which yet again is not sufficient time for meeting the construction PE exposure.

Would the same be not regarded as a PE for 2025 by looking in silos (5 months) or would the continued period (4+5=9 months) be taken for determination of PE is a clarification which is awaited for better understanding.

Clarification is also needed to understand if the income not regarded as from PE in 2024 by virtue of construction going on only for 4 months would be re-taxed in 2025 when the combined period exceeded the threshold limit.

Q3. International Agreements, a boon or bane?

Article 66 of the tax law provides that *'To the extent the terms of an international agreement that is in force in the State are inconsistent with the provisions of this tax law, the terms of the international agreement shall prevail'*.

Generally, in matured tax countries like India, the taxpayers get an option to be taxed based on the international tax agreement (like the Double Taxation Avoidance Agreement) or the domestic corporate tax law whichever is beneficial.

However, this tax law has made it clear that the provisions of international agreements shall prevail over itself.

While there could be advantages for the taxable persons in these international agreements, considering UAE's low tax rate and beneficial procedures, there will be instances where the international agreements could tax the person more than the tax law.

For example, the UAE-Singapore international agreement* provides that in addition to the list of PE mentioned in Article 14 of the tax law, the furnishing of services, including consultancy services, by an enterprise of Singapore through employees or other personnel in the UAE, for a period or periods aggregating more than 6 months in any calendar year shall be regarded as a PE and be taxed in the UAE. The Singapore Company deputing employees to UAE for more than 6 months shall be regarded as a PE and taxed accordingly even though this arrangement is not a PE as per the tax law.

The non-resident tax persons are hence recommended to carefully analyse the applicable international agreements especially with regard to the rates of dividends, interest, royalties and fee for technical services parallelly with the tax law to plan and calculate their taxes.

** Agreement Between the Government of The Republic Of Singapore And The Government Of The United Arab Emirates For The Avoidance Of Double Taxation And The Prevention Of Fiscal Evasion With Respect To Taxes On Income.*

Q4. The net interest conundrum

Article 30 of the tax law provides that net interest expenditure (Interest expenditure less taxable interest income) of a taxable person subject to it exceeding a specified limit shall be allowed as a deductible expenditure only up to 30% of his Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).

Now, the question in consideration is whether the interest expenditure would be allowed for carry forward if the EBITDA is in loss.

UAE being a hub for startups, it will be worthwhile to wait for a clarification in this regard as lot of new age startups especially in the incubation stage have negative EBITDA and high interest costs. Even though disallowed interest is allowed to be carried forward for 10 years, considering start ups with high R & D expenses and delayed monetisation, the tenure of 10 years for interest vis a vis unspecified tenure for other expenses may be pushing the need for equity investments in the future purely from a corporate tax perspective.

Conclusion

The tax law immensely reflect the promise given in the Public Consultation Document that the new tax regime will be built from best practices globally, and incorporate principles that are internationally known and accepted, ensuring that the regime will be readily understood rather than introducing new concepts that would need to be evaluated by investors.

It is very much hopeful that the apparent questions from literal analysis of the tax law will be solved once the executive regulations, tax procedure laws and other cabinet decisions in this regard are published. In the meantime, it is essential that affected entities begin to plan ahead and carry out high level impact assessments, reviews of systems and implementation plans, as the new tax could have profound implications.

All you need to know about mandatory Unemployment Insurance in the UAE



The UAE announced the introduction of a mandatory unemployment insurance scheme called the 'involuntary loss of employment' (ILOE) scheme. Let's understand this scheme in detail.

1. What is the reason for introduction of this scheme?

The ILOE as the name suggests is a form of insurance/social security that provides Emiratis and residents working in the federal and private sectors financial support if they lose their jobs, as a result of termination by their employers. It aims to ensure continued decent living for the unemployed and achieve a competitive knowledge economy by attracting and retaining best international talent.

2. Who should subscribe for the scheme?

The scheme applies to all workers in the private and federal sector except:

- investors, business owners who own and manage their business themselves
- domestic workers
- employees on a temporary basis
- juveniles under the age of 18
- retirees who receive pension and have joined a new employer.

3. When did the subscription open?

Subscription to the scheme is mandatory and was opened on January 1, 2023, by the UAE's Ministry of Human Resources and Emiratisation (MOHRE).

4. What is the cost of subscription?

The cost of subscription is dependent upon the worker's basic salary, there are two categories of premium:

- Category A - Workers with a basic salary of AED 16,000 or less will need to pay a monthly insurance premium of AED 5, i.e. AED 60 annually.
- Category B - Workers with a basic salary exceeding AED 16,000 will need to pay AED 10 per month, i.e. AED 120 annually.

5. What is the frequency for payment of premium?

The worker may choose to pay the premium on a monthly, quarterly, half-yearly or on an annual basis.

6. Is the value of premium subject to VAT?

The value of the insurance policy is subject to VAT.

7. What is the deadline for subscription?

As per the Ministerial Resolution No. 604 of 2022 regarding the Involuntary Loss of Employment (ILOE), eligible workers employed as on 01 Jan 2023 have a grace period of six months till June 30, 2023 to subscribe in the ILOE.

If the worker was employed at a date later than Jan 1, 2023, he or she will have a grace period of four months to subscribe, starting from the day he or she landed in the UAE or the day the 'Visa Change Status' was completed.

8. What is the fine for failing to subscribe to the plan?

If an eligible worker fails to subscribe to the scheme once the deadline has passed, a fine of **AED 400** will be imposed (unless the deadline is extended).

9. What is the fine for missing an instalment?

According to Article 9 (2) of Ministerial Resolution No. 604 of 2022 concerning Unemployment Insurance Scheme, in the event that the worker fails to pay the insurance premiums according to the selected payment frequency for a period exceeding three months from the due date, the insurance certificate will be cancelled and a penalty of **AED 200** will be imposed.

10. How can the subscription be made?

According to MOHRE, subscription to the scheme can be made through the following seven platforms:

- i. Insurance Pool website - www.iloe.ae
- ii. Al Ansari Exchange
- iii. Kiosk machines
- iv. Telecommunication bill payment channels (through du and etisalat)
- v. Insurance Pool smartphone application – 'iloe'
- vi. Bank ATMs and smartphone applications
- vii. Businessmen service centers.

11. How to apply for the scheme online step by step?

The scheme can be applied online by following the below steps:

- | |
|--|
| • Visit the website www.iloe.ae |
| • Click on the red button titled, 'Subscribe Here', which you can spot at the centre of the screen. |
| • You will then be transferred to the ILOE application portal. Next, under the 'Individual' category select if you are a private or federal government employee. |
| • Next, sign in using your Emirates ID or UID number (Unified Identification Number). To do this, you will have to enter either of these two details and your mobile number to receive a one-time password (OTP) to complete the registration. |
| • Once you have entered your Emirates ID number or UID number and your mobile number, tap on the 'Request OTP' button. |
| • Enter the OTP you receive, after which you will be redirected to your ILOE dashboard. |
| • The dashboard will show you whether you fall under Category A or Category B, under the scheme. |
| • On top of your dashboard, you will receive a summary of your personal details, which you need to review. Then check the box which says 'I confirm my personal details are correct'. |

- After that, you can choose your ILOE plan – you will have the option to enrol for it for one year or two years. If you choose to subscribe to the scheme for one year, you will then also have the option to pay the premium on a monthly, quarterly, semi-annual, or annual basis.
- Once the plan has been made, you will see the inception date, expiry, insurance cost and the 'total premium payable' you will need to pay per month, quarterly, or annually.
- Once you have selected your preferred option, check the 'terms and conditions' box, after going through the document.
- Click on 'Pay now'.
- You will first be asked to enter your email address (optional) to receive the insurance certificate via email.
- Next, you will be transferred to the online payment channel, where you will need to enter your credit card details.
- After that, an OTP will be sent to the number registered with your card. Enter the OTP for the payment to go through.
- Once you have received the payment confirmation, you will also receive an insurance certificate via email. Alternatively, you can log in to your ILOE dashboard, to download the pdf version of your insurance certificate.

12. When can the worker file for claiming benefits/compensation from the scheme?

The compensation can be claimed by filing with the respective insurance provider within 30 days from the date of unemployment subject to the following conditions:

- the worker must have been paying the monthly premium for at least 12 consecutive months
- The unemployment was due to reasons beyond the worker's control, and was not because of resignation or disciplinary actions
- The worker is not subject to an existing absconding report
- There were no instances of strikes or other non-peaceful protests by the worker on account of unemployment
- The worker has a legal residence in the UAE

13. When will the insurance provider honour the compensation claim?

The insurance provider shall honour the claim within 2 weeks from receiving the claim application subject to the following due diligence:

- The worker's claim is rightful, and meets all the conditions
- There is no fraud or deceit in the claim
- The establishment which the worker claimed to have lost job from is not fictitious.

11. What will be the amount and tenure of compensation?

The compensation shall amount to 60% of the worker's average basic salary drawn for the last 6 months. The same shall be paid for 3 consecutive months subject to the following caps:

- For Category A worker – Maximum compensation of AED 10,000 per month
- For Category B worker – Maximum compensation of AED 20,000 per month.

The compensation shall cease within the 3 month pay out period or when the worker is hired by another employer.

ISA 520 Analytical Procedures



1. INTRODUCTION

Analytical procedures have been part of the audit process for decades, but many auditors fail to understand their objectives or how these procedures should be properly applied for substantive testing, resulting in many audit deficiencies, some of which are serious. Carefully designed analytical procedures can be as effective as substantive tests of details (or, depending on the circumstances, even more effective), but it is far too easy, in the interest of efficiency, to place undue reliance on weak analytical procedures that are too imprecise to have a reasonable chance of detecting a material misstatement.

The primary purpose of this article is to highlight the basics of substantive analytical procedures for use in audits. This article mainly focuses on the proper use of analytical procedures as substantive tests in audit.

2. MEANING



Evaluation of financial information



Analysing plausible relationship between financial information and non-financial information



Investigate fluctuation or deviation from expected value by a significant amount

3. WHY

Analytical procedures help auditors to investigate variations in figures that have shown consistency in the past or do not correlate with other values.

For instance, if a client, reports a substantial increase in income from the past years, the auditor may research the origin of the additional funding to make sure it comes from a legitimate source and reflects valid information about the client's financial state. Auditors use three types of analytical procedures, and each serves a different purpose. They include:

Preliminary analytical review

Auditors conduct risk assessments, known as preliminary analytical reviews, to plan and time their strategies for conducting an initial analysis.

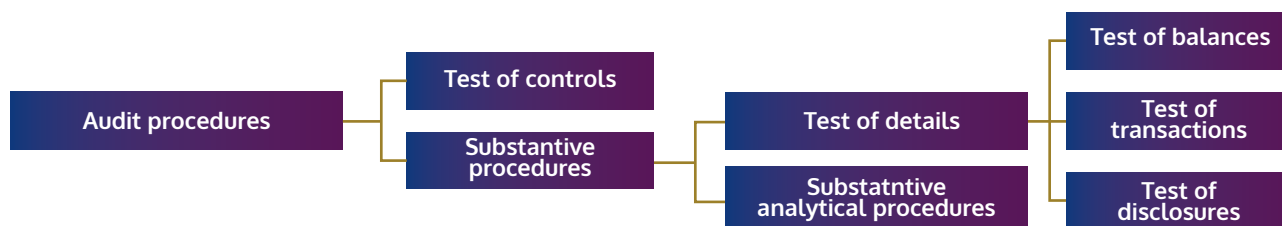
Substantive analytical review

Auditors use substantive analytical procedures to gather information and determine if they need to conduct substantive testing. Sometimes, they can use analytical methods alone to come to a conclusion.

Final analytical review

Auditors use final analytical reviews at the end of the audit to review their work and check for inaccuracies. If they find errors, they complete the risk assessment process again.

TYPES OF AUDIT PROCEDURES



4. APPLICATION

TYPE	APPLICATION	SCENARIO
Efficiency ratio analysis	<p>Auditors evaluate the relationship between the line items of the financial statements and assess the company's liquidity, profitability, and efficiency.</p> <p>This helps them identify trends and view the organization's financial status over several years or fiscal periods so that they can ensure a consistent financial status.</p> <p>If the auditor notices that financial reports during a single period fall above or below the trend, they can investigate further to identify and resolve the issue.</p>	<p>Brian (the auditor) compared his clients' assets and liabilities for the most recent fiscal year with those reported by his clients during the five years prior.</p> <p>The first client's liabilities and assets followed the trend established during the previous years, so Brian confirmed that these aspects of the company's finances remained stable.</p> <p>When analyzing his second client, he noticed a significant change in their assets and liabilities from previous years. On further enquiry and investigation, he concluded that the company recently changed their accounts receivable policies, and hence the change in the trend.</p>
Industry comparison ratio analysis	<p>This process involves the calculation of the same ratios/ relationships for companies in the same industry to ensure their client's values are similar or higher than the industry standard ratios.</p>	<p>Brian, while carrying out an audit of one of his retail clients, has evaluated the Gross Profit Margin of his client with that of the industry standard of the similar size companies.</p> <p>He found that the results to be comparatively lower than the industry average.</p> <p>The auditor shall investigate such differences by</p> <ul style="list-style-type: none"> ● inquiring of management and obtaining appropriate audit evidence relevant to management's responses; and ● Performing other audit procedures as necessary in the circumstances.
Revenue and cost trend analysis	<p>Auditor can use this process internally to create a trend line that reveals whether the company's revenue and costs have remained consistent.</p> <p>Depending on the distribution of the data points, auditors can identify potential problems and help their clients resolve them.</p> <p>Other reasons to conduct revenue and cost analysis include,</p> <ul style="list-style-type: none"> ● Estimating future results for budgeting purposes ● Assessing trends in sales by customer or target market ● Checking for expenditures that require investigation. 	<p>Brian used revenue and cost analysis to create a trend line for his client. The trend line recorded revenue over the previous five years and revealed that sales had not remained steady.</p> <p>The auditor shall investigate such deviation by</p> <ul style="list-style-type: none"> ● inquiring of management and obtaining appropriate audit evidence relevant to management's responses; and ● Performing other audit procedures as necessary in the circumstances.

TYPE	APPLICATION	SCENARIO
Reasonableness test	<p>Auditors conduct reasonableness tests to confirm the validity of a company's transactions, balances, and other financial events.</p> <p>They determine reasonableness based on the information provided on two or more sources of data. If the auditor notices possible inaccuracies, they address them with the client.</p>	Brian used the reasonableness test to make sure his client's cost of goods reflects their revenue. He found his client had a significantly higher revenue compared to their cost of goods and goods sold, so he worked with the client to determine the cause of the discrepancy. Further auditing revealed an error on the company's financial statement which Brian audited.

There are multiple ratios analysis methods used by the auditor during analytical procedures. It involves, coverage ratios, leverage ratios, market value ratios, liquidity ratios and profitability ratios.

5. DETERMINANTS TO BE CONSIDERED BY THE AUDITOR WHILE USING ANALYTICAL PROCEDURES

- (a) **Suitability:** For each audit assertion, a suitable analytical procedure to be considered for taking account of the assessed risk of material misstatements.
- (b) **Reliability:** Evaluate the reliability of data from which the auditor's expectation of recorded amounts or ratios is developed, taking account of source, comparability, and nature and relevance of information available, and controls over preparation.
- (c) **Expectation:** Develop an expectation of recorded amounts or ratios and evaluate whether the expectation is sufficiently precise to identify a misstatement that, individually or when aggregated with other misstatements, may cause the financial statement to be materially misstated.
- (d) **Deviation:** Determine the amount of any difference of recorded amounts from expected values that is acceptable without further investigation.

6. ANALYTICAL PROCEDURES THAT ASSIST WHEN FORMING AN OVERALL CONCLUSION

The auditor shall design and perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity.

The conclusions drawn from the results of analytical procedures designed and performed in accordance with above are intended to verify conclusions formed during the audit of individual components or elements of the financial statements. This assists the auditor to draw reasonable conclusions on which to base the auditor's opinion.

The results of such analytical procedures may identify a previously unrecognized risk of material misstatement. In such circumstances, ISA 315 requires the auditor to revise the auditor's assessment of the risks of material misstatement and modify the further planned audit procedures accordingly. The analytical procedures performed in accordance with above may be similar to those that would be used as risk assessment procedures.

7. INVESTIGATING RESULTS OF ANALYTICAL PROCEDURES

ISA 520 requires auditors to identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount, the auditor shall investigate such differences by:

- Inquiring of management and obtaining appropriate audit evidence relevant to management's responses; and
- Performing other audit procedures as necessary in the circumstances.

8. COMMON DEFICIENCIES OBSERVED

The most common deficiencies in auditors' use of substantive analytical procedures are threefold and consist of the failure to.

- (a) obtain adequate evidential support for the data used to develop expectations
- (b) develop reliable and reasonably precise expectations based on plausible and suitably predictable relationships and
- (c) obtain adequate evidential support for variance explanations provided by management
- (d) the use of more disaggregated data in analytical procedures is generally regarded as more precise and reliable than summarized information.

Top 5 Government priorities for 2023



On 02 January 2023, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister of the UAE and Ruler of Dubai, chaired the first UAE Cabinet meeting of the new year 2023 at Qasr Al Watan Abu Dhabi, in the presence of H.H. Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum, Deputy Ruler of Dubai, Deputy Prime Minister, and Minister of Finance; H.H. Lt. General Sheikh Saif bin Zayed Al Nahyan, Deputy Prime Minister and Minister of the Interior; and H.H. Sheikh Mansour bin Zayed Al Nahyan, Deputy Prime Minister and Minister of the Presidential Court.

His Highness Sheikh Mohammed bin Rashid Al Maktoum affirmed that UAE leadership will always be focussed on developing policies and strategies to achieve the vision of President His Highness Sheikh Mohamed bin Zayed Al Nahyan and the aspirations of the people of the UAE in building the best economic, social and developmental environment.

The approved 5 Government priorities for 2023 to be:

-  **Establishing the national identity**
-  **Enhancing environment stability**
-  **Developing the educational system**
-  **Accelerating the Emiratisation process and**
-  **Expanding international co-operations**

Snapshots of Governmental activity during 2022

900 decisions approved
22 Government policies developed
68 Federal laws issued
113 national regulations approved
71 international agreements signed

Among top **5** countries in the world

In **339** development, economic and social indicators.

Ranks 1 in Arab region and 13 globally in the UN e-government survey which measures the level and effectiveness of ICT in the delivery of public services and the contribution of its member states to digital transformation.

Strategies for priorities set in 2023

The leadership of the country provided and decided on the long term strategies for the set priorities including:

National Strategy for Desertification	The UAE Cabinet approved the National Strategy for Desertification, which includes (33) major initiatives and a national action agenda until the year 2030. The Strategy is based on five axes, with the aim of preserving ecosystems, improving the condition of arid and drylands, and mitigating and adapting to the effects of climate change on ecosystems affected by desertification.
Integrated incentives to support the Space Sector	<p>The Cabinet approved the issuance of a decision to regulating permits for space activities and space-related activities, in the framework of strengthening and supporting the space sector in the country, stimulating its investments and attracting investors from all over the world.</p> <p>The Cabinet approved the issuance of a decision to ensure compensation for damage caused to third parties during space activities. The meeting also approved the issuance of the decision to regulate space resource activities in line with the objectives of the national space policy.</p>
Integrated system for financing federal higher education institutions	The Cabinet approved the system for financing the current federal education institutions as the reference for financing these institutions and instructing the Ministry of Education to take the necessary measures and issue guidelines for implementing the system, in coordination with all concerned authorities.
Monitoring customer satisfaction for government services	<p>The Cabinet approved the Government Services Observatory, which constitutes an interactive digital platform that displays customer satisfaction in real time with government services and their impressions of the various available channels, such as websites, smart applications, and service delivery centres.</p> <p>The Cabinet approved the re-formation of the Emirates Council for Food Security. Also, the meeting approved the unified financial procedures guide for donations and financial transfers outside the country.</p>

IAS 37

Provisions, Contingent Liabilities And Contingent Assets



Objectives of IAS 37

- to ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and
- that sufficient information is disclosed in the notes to enable users to understand their nature, timing and amount

Scope

IAS 37 excludes obligations and contingencies arising from:

- financial instruments that are in the scope of IAS 39
- non-onerous executory contracts
- insurance contracts (but IAS 37 does apply to other provisions, contingent liabilities and contingent assets of an insurer)
- items covered by another IFRS (For e.g. IAS 12 on Income Taxes, IAS 17 on Leases and IAS 19 on Employee Benefits)

KEY DEFINITIONS

Provision

- a liability of uncertain timing or amount.

Liability

- present obligation as a result of past events
- settlement is expected to result in an outflow of resources embodying economic benefits

Obligating event

- an event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation

Contingent liability

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation but payment is not probable or the amount cannot be measured reliably

Contingent asset

- a possible asset that arises from past events, and
- whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

RECOGNITION OF PROVISION

An entity must recognise a provision if, and only if:

- a present obligation (legal or constructive) has arisen as a result of a past event (the obligating event),
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
- the amount can be estimated reliably.

Measurement of provisions

The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period., that is, the amount that an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party. This means:

- ▶ Provisions for one-off events (restructuring, environmental clean-up, settlement of a lawsuit) are measured at the most likely amount.
- ▶ Provisions for large populations of events (warranties, customer refunds) are measured at a probability-weighted expected value.
- ▶ Both measurements are at discounted present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

In reaching its best estimate, the entity should take into account the risks and uncertainties that surround the underlying events.

In measuring a provision consider future events as follows:

- ▶ forecast reasonable changes in applying existing technology
- ▶ ignore possible gains on sale of assets
- ▶ consider changes in legislation only if virtually certain to be enacted

Remeasurement of provisions

- ▶ Review and adjust provisions at the end of each reporting period
- ▶ If an outflow is no longer probable, provision is reversed.

Use of provisions

Provisions should only be used for the purpose for which they were originally recognised. Only expenditures that relate to the original provision are set against it.

RECOGNITION OF CONTINGENT LIABILITIES

Entities should not recognise contingent liabilities – but should disclose them, unless the possibility of an outflow of economic resources is remote.

Analysis of an obligating event

Chances of occurrence	Recognition criteria	Action
Remote	NA	Do nothing
Possible	NA	Disclose as a contingent liability
Probable	Not met	Disclose as a contingent liability
Virtually certain	Met	Recognise provision

RECOGNITION OF CONTINGENT ASSETS

- Contingent assets should not be recognised – but should be disclosed where an inflow of economic benefits is probable.
- When the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

DISCLOSURES

Provisions

For each class of provision:

- ▶ opening balance
- ▶ additions
- ▶ used (amounts charged against the provision)
- ▶ unused amounts reversed
- ▶ unwinding of the discount, or changes in discount rate
- ▶ closing balance

Comparative information is not required.

For each class of provision, a brief description of:

- ▶ nature
- ▶ timing
- ▶ uncertainties
- ▶ assumptions
- ▶ reimbursement, if any.

Contingent liabilities

A brief description of the nature of the contingent liability

Contingent assets

A brief description of the nature of the contingent asset and where practicable an estimate of their financial effect

VAT Implications On Logistics Sector



VAT Laws in UAE provide a detailed definition of the VAT treatment on transportation and the related supply of goods and services.

UAE's long coastline, well-connected air and sea routes, and developed infrastructure makes UAE an ideal hub for international trade & tourism and has encouraged logistical development on a nationwide scale.

In the UAE, inbound and outbound transportation is zero-rated, while the transport of goods locally is subject to VAT at 5%.

It is worthwhile to understand and evaluate whether companies can apply a blanket zero-rating for inbound or outbound transportation or are there any exceptions to the rule.

PROVISIONS UNDER THE UAE VAT LAW

ZERO-RATE

International transport of passengers and goods which starts or ends in the State or passes through its territory, including services related to such transport.

The supply of international transportation services for passengers and goods and transport-related services shall be subject to the zero rate in the following cases:

Transporting passengers or goods from a place in the State to a place outside the State.

Transporting passengers or goods from a place outside the State to a place in the State.

0%

Transporting passengers from a place in the State to another place in the State by sea or air or land as part of a supply of an international transport of those passengers, if either or both the first place of departure, or the final place of destination, is outside the State.

Transporting goods from a place in the State to another place in the State if the services are supplied as part, or for the purpose, of the supply of services of transporting goods either from a place in the State to a place outside the State or from a place outside the State to a place in the State.

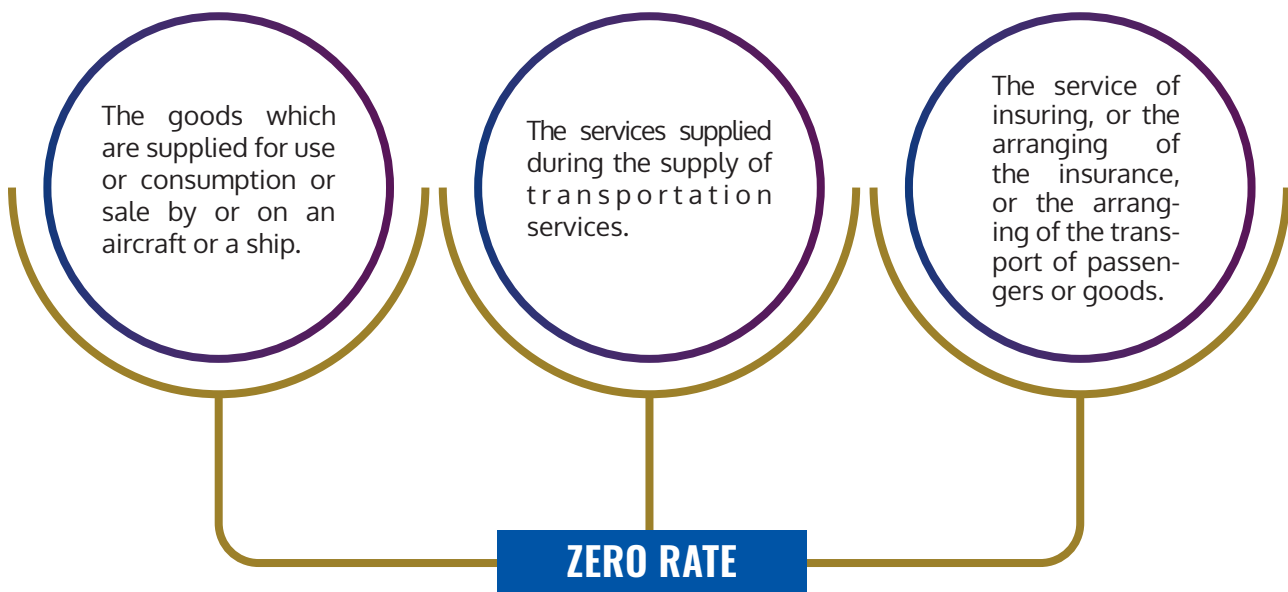
TRANSPORT RELATED SERVICES

Transport related services include the following:

- Shipment
- Packaging and securing cargo
- Preparation of Customs documents
- Container management
- Loading, unloading, storing and moving of goods
- Any another closely related services or services that are necessary to conduct the transportation services

The income generated as commission against any of the transport related services will not be subject to 0% VAT based on the above provisions.

The following goods and services shall be zero-rated if they are supplied in respect of the international transportation services of passengers or goods or which are treated as taking place outside the State



EXEMPT

The supply of local passenger transport services in a qualifying means of transport by land, water or air from a place in the State to another place in the State shall be exempt.

The phrase “qualifying means of transport” means:



A motor vehicle, including a taxi, bus, railway train, tram, mono-rail or similar means of transport, designed or adapted for transport of passengers.



A ferry boat, abra or other similar vessel designed or adapted for transport of passengers.



A helicopter or airplane designed or adapted for transport of passengers and approved for transport of passengers

- The service of transporting of passengers from a place in the State to another place in the State shall not be considered a local passenger transport service where the transport is by aircraft and constitutes “international carriage”
- The transport of passengers shall not constitute a supply of local passenger transport services where it is undertaken in the context of a pleasure trip where the manner in which the trip is held out indicates that its principal objective may reasonably be said to be sightseeing, or the enjoyment of catering services, or other forms of pleasure or entertainment.

Summary of taxability from UAE VAT perspective

Nature of service	Taxability
Local transportation of goods	5%
Local transportation of passengers in qualifying means of transport	Exempt
Local transportation of passengers in qualifying means of transport for pleasure, sight-seeing, etc.	5%
Local transportation of passengers in non-qualifying means of transport	5%
Inbound and outbound transportation of passengers and goods	0%
Transportation originating and terminating outside UAE	Out of scope
Transport related services for local transportation of goods	5%
Transport related services for inbound and outbound transportation	0%
Transport related services for cross-trade transportation	Out of scope
Local transport which is part/for the purpose of inbound and outbound transportation	0%

Abu Dhabi Industrial Strategy: For a Circular Economy

The correlation between a thriving manufacturing sector and growth of the economy is a direct and significant one. A nation with a robust manufacturing sector paves way for higher standards of living, increased employment opportunities, better products at cheaper prices and gradually transforms into a circular economy. Unlike the prevailing linear economy model, where resources are extracted, used and then disposed, the circular economy proposes a model of growth and jobs without compromising the environment. Such an economy is founded on 3 key underlying principles, the elimination of waste, keeping products in use for a prolonged time, and re-generating natural systems.



Abu Dhabi, the nation's capital, through its Industrial Strategy aims to strengthen the Emirate's position as the region's most competitive industrial hub and build an economy that is focussed on sustainable development. The strategy envisions investment of AED 10 billion by the Abu Dhabi Government, which will more than double the size of the manufacturing sector to AED 172 billion, create over 13,600 skilled jobs, and increase Abu Dhabi's non-oil exports by 143% to AED 178.8 billion, by 2031. The Abu Dhabi Industrial Strategy is underpinned by 6 key transformational programmes and numerous industrial incentives, that will drive growth and innovation.

6 TRANSFORMATIONAL PROGRAMMES

1. CIRCULAR ECONOMY



Enabling responsible industrial production and consumption, ensuring sustainability, minimization of wastage and resource regeneration.

2. INDUSTRY 4.0



Encouraging adoption of new transformative technologies and encompassing several enablers, including a smart manufacturing programme, assessment index and upskilling centres.

3. TALENT DEVELOPMENT



Offering upskilling platforms to bridge existing skill gaps and meet future requirements.

4. ECOSYSTEM ENABLEMENT



Enhancing the ease of doing business through reimbursement incentives, reducing customs costs, streamlining processes and introducing regulatory reforms.

5. HOMEGROWN SUPPLY CHAIN



Increasing self-sufficiency by promoting locally made products and easing access to foreign markets.

6. VALUE CHAIN DEVELOPMENT



Creating an integrated, end-to-end supply chain through initiatives such as establishing a supply chain investment fund and providing offset opportunities to promote industrial funding.

INDUSTRIAL INCENTIVES

- **Abu Dhabi Local Content Program (commonly referred to as the National In-Country Value Program)**

Government spending is one of the most important pillars of the economy and is the main catalyst for stimulating economic growth and social productivity. Through the National ICV Program, procurement of goods and services are being re-directed into the local economy on a massive scale.

- **Energy Tariff Incentive Program 2.0 (previously known as the Electric Tariff Incentive Program)**

Manufacturers in Abu Dhabi can avail reduced tariff rates on their electricity and gas consumption, based on certain pre-determined criteria and evaluations. This includes an assessment of economic impact, productivity, connection load and energy management system.

- **Smart Manufacturing Program**

Aimed at accelerating the Emirate's transition towards Industry 4.0 with focus on 2 main dimensions: Industry 4.0 shift factors (i.e., technology and organization) and the enablers (i.e., funding, regulations, infrastructure, skills and smart technology).

- **Industrial License Fee**

Offers nominal fee for licensing an industrial establishment with 6 activities/products or less, in the Emirate of Abu Dhabi.

- **Golden List Project**

Manufacturers in Abu Dhabi with an ICV score of 40% or higher can apply to be a part of the Golden List, thus establishing and improving their competitive advantages in the Emirate.

- **Financial Ecosystem Program**

This Program will facilitate eligible local companies with the required monetary support through a wide variety of loans from the Emirate's most prominent banks.

- **Customs Exemption**

Granted for certain machines, equipments, building materials, raw materials etc that are required by the manufacturers, for the duration of constructing the industrial establishment.

- **Land Rebate Incentive Program**

Industrial Investors are offered incentives in the form of rebates against land rent and long term contracts for new and eligible industrial investments, evaluated based on certain pre-determined criteria.

Evas International Chartered Accountants is a Certifying Body for the Energy Tariff Incentive Program 2.0 and the Land Rebate Incentive Program, authorized by the Abu Dhabi Department of Economic Development and also the Certifying Body for NICV Programme.

EVENTS



TEAM EVAS





NEW YEAR 2023



EVAS
International

+971 4 266 0734, +971 4 272 4701
+971 2 645 7775
info@evasinternational.com
www.evasinternational.com

UAE

ABU DHABI

Suite No: 1601
P.O Box 25929
Kamala Tower
Khalidiya Street

DUBAI

Suite No: 309 & 327
P.O Box 82631
City Bay Business Centre
Abu Hail

JAFZA

Office No: 15518
JAFZA 15
Jebel Ali Free Zone
Dubai

SHARJAH

Office No: Q1-04-006/A
P.O Box 513424
SAIF Zone

RAS AL KHAIMAH

Suite No: 103
P.O Box 5846
Abbas Al Blooshi Bldg.
Al Nakheel

INDIA

TRIVANDRUM:

Shivadha Towers, 2nd floor
TC 31/480- 3, Near Canara Bank
Pettah, Trivandrum
Kerala - 695024

PUNALUR

Building No. XIII/670A,C
Kochuvilayil
Tholicodu P.O, Punalur
Kerala - 691333



GGi
INDEPENDENT MEMBER

Audit & Assurance | Tax | Advisory | Compliance | Accounting | Consulting | ICV Certifying Body