

# RVG CHARTERED ACCOUNTANTS

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**Self Auditing Services**

Dubai Customs has officially announced and launches on Dubai Trade Portal its Self Audit Findings "Voluntary Disclosure" service

Through which errors and omissions in the customs transactions can be reported according to specific terms and condition in order to pay amount of differences in customs duties within 15 days from submitting the online application.

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## Dubai Customs launches Self-Audit

On 11 August 2022, the Dubai Customs (DC) announced via LinkedIn, the launch of its Self-Audit Findings service to enable importers and exporters to voluntarily disclose errors and omissions committed after processing customs declarations through the DC and prior to notice or initiation of a customs audit. The Self-Audit Findings service will assist importers and exporters to mitigate potential penalties through voluntary disclosure of errors and omissions. This service is available to all DC-registered clients or individuals and can be accessed through the Dubai Trade Portal. Prior to the launch of the Self-Audit Findings service, there was no mechanism to voluntarily disclose errors and omissions committed by importers and exporters after processing customs declarations. A registered client can access the Self-Audit Finding service through the Dubai Trade Portal.

The Global Network has developed a self-audit tool that provides a structured format for assessing and recording the status of implementation for each of the implementation criteria that make up the eight Global Standards. The tool can be downloaded from this website in various languages.

# New Indian income tax rule: PAN card now mandatory for certain cash deposits, withdrawals

India's Central Board of Direct Taxes (CBDT) issued a notification that cash deposits and withdrawals in a financial year of over Rs 2 million (Dh93,041), when the opening of a current account or cash credit account with a bank, requires all Indians to furnish PAN or Aadhaar.



As per the notification, 'every person, at the time of entering into a transaction quote his permanent account number (PAN) or Aadhaar number and every person, who receives such documents, shall ensure that the said number has been duly quoted and authenticated'.

This means that prior to this government alert, your bank was already required to ensure that such transactions have PAN. But now your bank will be required to keep the PAN in the bank's records and inform the same to Income tax department regarding such financial transactions.

The Income Tax department, along with other central government departments, has been updating and amending rules to reduce the risk of financial fraud, illicit money transactions, and other money crimes over the past few years, and tax experts suggest this move in line with this.

"The government also monitors receiving cash worth more than Rs200,000 (Dh9,303) to restrict the use of cash in high-value transactions. So, a person cannot accept more than Rs200,000 (Dh9,303) in cash, not even from close family," said an independent tax consultant Brijesh Meti based in India.

While this rule doesn't apply to NRIs when it comes to having Aadhar, clarified by Dixit Jain, Managing Director at The Tax Experts DMCC. "It is not mandatory for NRIs, as NRIs are not mandatorily required to have an Aadhar card,

In other words, more than this rule change impacting NRIs who would have already added PAN details to their bank accounts, as initially required by banks, it is aimed at getting banks to keep the PAN on record, and not seek PAN with each transaction, and officially declare any withdrawals over Rs2 million.

# Transfer Pricing Implications under Corporate Tax

The introduction of a corporate income tax and the Transfer Pricing Rules would be applicable in the UAE.

All companies would have to comply with the transfer pricing rules and documentation requirements. These transfer pricing rules would be mandatory and could also apply to domestic transactions

Transfer pricing describes all aspects of inter-company pricing arrangements between members of a multinational group, including transfers of tangible goods; services; intellectual property; and loans as well as other financial transactions.

It will prevent a business from paying less tax by exploiting a tax loophole and charging a related business a far lower or far higher fee for a transaction, thus skewing the amount of taxable income and declaring income to be much lower than what it is in practice.

When the Ministry of Finance announced that corporate tax would be implemented in the UAE it confirmed that one of the mechanisms underpinning the new tax law would be the introduction of transfer pricing, based on the Organisation for Economic Co-operation and Development ('OECD') principles. This will be something new for the UAE and many businesses will not be familiar with the principles of transfer pricing or the practical implications

In due course, legislation will confirm the transactions and entities that are within the scope of transfer pricing, the compliance and reporting requirements, and will define the key features such as when entities are deemed to be connected. However, as yet the final law and regulations have not been released.

Accordingly, businesses need to evaluate their current arrangements and consider the implications of the corporate income tax regime on both cross-border as well as domestic transactions.

## VAT Treatment on Export Goods

The introduction of VAT will soon complete 5years, however, many businesses have been unable to understand and appreciate the VAT zero-rating conditions for the export of goods.

The challenges faced by export businesses in this regard and how they can structure solutions around this are:

### 1. Goods not being exported within 90 days from the supply date

For zero-rating benefits, it is vital to have evidence of goods leaving the country within 90 days from the date of issuing an invoice or receiving the payment, whichever is earlier, and there may be situations a business can face where goods are not exported within the prescribed time limit.

The prudent approach in this scenario should be to track the 90 days timeline and account for 5% VAT on the 91st day treating that day as the date of supply or to account for 5% VAT in advance and issue a tax credit note for VAT adjustment only after there is evidence to support the movement of goods outside the UAE, within 90 days from the date of supply.

### 2. Bill to Ship To" Supply Model

In the UAE, "Bill to Ship To" transactions are a common occurrence. Businesses have been taking a position that since they have both 'official' and 'commercial' evidence as proof of movement of goods outside the UAE, the transaction should be treated as a zero-rated export.

The FTA has clarified against this position in its Automotive Guide that if an invoice is issued to a UAE buyer but goods are exported outside the UAE, then the sale to the UAE entity should be taxable at 5%, the reason being that the UAE supplier is acting as an agent to export the car on behalf of the UAE buyer.

### 3. Non-issuance of Exit Certificate by Customs department in case of Indirect exports

Suppliers often cannot obtain Exit certificates from the Customs authority as proof of "Official Evidence." The FTA will request an Exit certificate as mandatory evidence for zero-rating. In instances wherein Customs authorities are not issuing the Exit certificates, it is suggested to take an administrative exception from the FTA requesting to accept alternative evidence other than an exit certificate such as goods receipt notes, declaration/ confirmation from the customer for goods received cargo manifest, arrival notice at the destination port, etc.

### 4.. Export through an agent

For exporting goods through an agent, the business must have a valid contract with the agent, and all the 'Official' and 'Commercial' evidence are in the name of the business and not the agent. Businesses should ensure that complete export documentation is readily available to obtain the zero-rating benefit at the time of FTA audits as during audit proceedings FTA expects that all the records and proofs are maintained by businesses during their regular course of business.

Business who has not yet been audited or have refunds pending with the FTA should act now to ensure that they are ready for an FTA Audit and where VAT is owed to them from the FTA take proactive steps to claim any monies owing before the periods in question fall out of time.

# UAE government agencies to stop using e-dirham gradually

Government agencies in the UAE will gradually stop using the e-dirham as a means of paying service fees over the next few months.

The e-dirham will be eased out over a period of three months, the Ministry of Finance said. Customers can continue paying fees for government services by using other widely accepted payment channels.


The e-dirham, a secured national digital payment system, was launched in 2001. The ministry said on its website that the e-dirham had been innovatively redesigned to offer an easy, transparent and secure experience for customers. The system allowed users to make payments through smart apps as well as e-dirham cards that offered a wide range of benefits for users.

The e-dirham had also been integrated with several banks to provide customers with multiple payment choices.


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## Our Services

- Audit & Assurance
- Accounting & Business Advisory
- International Tax Advisory
- VAT Advisory
- IS Audit & ERP Implementation
- Business Consultancy
- PRO Services

\*Disclaimer: All the information is sourced from the latest updates of the Ministry of Finance, and media updates