

The background of the slide is a photograph of the Dubai skyline at night. The image shows several prominent skyscrapers, including the Burj Khalifa on the far left, and other modern buildings with illuminated facades. The lights from the buildings and the city streets are reflected in the calm water in the foreground. The sky is a mix of deep blue and orange, suggesting the time is either dusk or dawn. A white diagonal graphic element cuts across the bottom right of the image, providing a space for the text.

BDO GCC Tax update

Q3 October 2025

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KEY CONTACT INFORMATION





Introduction

BDO publishes a Gulf Cooperation Council (GCC) tax update on a quarterly basis, and we're delighted to share the Q3 2025 edition with you. This update provides a summary of the region's tax news and key changes from this year's third quarter.

In **Bahrain**, the National Bureau for Revenue has been busy updating VAT guidelines. There has also been progress with double tax agreements and there is an interesting update on the NBR's programme of inspection visits. This has unearthed numerous VAT violations by taxpayers and some cases of tax evasion.

Oman has become the latest GCC country to announce proposals for e-invoicing. The phased roll-out of e-invoicing could begin in 2026, extending through to 2028.

In **Saudi Arabia** there have been some important changes to the VAT regulations. Some of the changes are already in force whilst others come into effect in the final quarter of this year. The changes cover, amongst other things, VAT grouping, the definition of certain supplies of services, transfers of businesses, input tax adjustments, electronic marketplaces and tourist refunds.

In **Kuwait**, the Ministry of Finance has released regulations to support the domestic minimum top-up tax. This is important legislation which governs the taxation of multinational enterprise groups operating in the country. There have also been some updates to Kuwait's network of double tax treaties.

Corporate tax continues to provide most of the news in **the UAE** and this quarter brings some important new legislation on depreciating investment properties and the preparation of financial statements for corporate tax groups and some changes to the regime for free zone entities. But it's not all corporate tax and there is also an important change to the way excise tax will be calculated on sweetened drinks and updates on VAT and customs duties.

Qatar has extended its penalty exemption initiative to 31 December 2025. This is an opportunity to regularise outstanding tax positions or disputes without incurring penalties, and taxpayers should review their tax affairs to establish whether they can benefit from this exemption before it expires.

We hope you find this summary of the tax news for the region useful. If you would like further information on any of the topics covered, please get in touch with your usual BDO adviser: please see the contact details for all our GCC offices on the back page of this publication. You will also find additional information on the relevant BDO firm's web site.





Bahrain

VALUE ADDED TAX

Updated VAT guidelines

During Q3 2025, The National Bureau for Revenue (“NBR”) published a number of updates to VAT guidelines. A summary of the main updates is given below.

VAT healthcare guide

With effect from 1 July 2025, the NBR updated the list of zero-rated qualifying medicines, medical equipment, and related medical products. In conjunction with this update, version 1.1 of the VAT Healthcare Guide and version 1.13 of the VAT General Guide were released, each incorporating new sections (2.2 and 6.3.6, respectively) which reference the revised product lists.

VAT retail and wholesale guide

On 25 June 2025, the NBR issued version 1.2 of the VAT Retail and Wholesale Guide, introducing a new section (6.6) addressing the VAT implications of raffle prizes. Where a VAT-registered entity organizes raffles and distributes prizes such as vehicles or electronic devices, it must assess whether the distribution of the goods constitute a deemed supply.

Generally, if input VAT was previously recovered on the purchase of the prize, the subsequent distribution of the prize without consideration is regarded as a deemed supply subject to VAT at the standard rate of 10%. However, where the winner is a non-resident and elects to export the prize outside Bahrain, zero-rating may apply, provided export conditions are satisfied.

VAT transportation guide

On 14 September 2025, the NBR published version 1.2 of the VAT Transportation Guide, amending section 2.2 to provide further clarification on the definition of a “qualifying means of transport.”

VAT real estate guide

On 25 June 2025, the NBR released version 1.5 of the VAT Real Estate Guide, incorporating a new section on owners’ associations. The guidance clarifies that services rendered by owners’ associations pursuant to Resolution No. (7) of 2018, such as legal actions and maintenance of common property, do not amount to economic activity. Accordingly, such services are outside the scope of VAT.

Where an owners’ association provides additional services beyond its primary role on a continuous basis, with an intention to generate income, such activities may constitute an economic activity, potentially triggering mandatory VAT registration if the registration threshold is met.





Bahrain

INTERNATIONAL TAX

DOMESTIC MINIMUM TOP-UP TAX

Updated guidance and compliance deadlines

On 12 August 2025, the NBR issued version 1.1 of the Entities in the Scope of DMTT Guide. The revised edition introduces new sections elaborating on exclusions, safe harbours, and currency conversion mechanisms. Entities that do not qualify for exclusions or safe harbours are required to submit details of their Q1 and Q2 advance payments and remit any applicable amounts by 31 August 2025.

For entities following the calendar year as their financial year, the deadline for Q1 and Q2 DMTT advance payments fell on 31 August 2025.

These developments highlight the increasing importance of timely compliance and robust tax governance for multinational groups operating in Bahrain.



INTERNATIONAL TAX TREATIES

Bahrain-Jersey double taxation agreement (DTA)

A DTA has been signed with the Government of Jersey, designed to support Jersey-based businesses operating in Bahrain and promote bilateral economic cooperation.

Bahrain-Oman double taxation agreement

His Majesty King Hamad bin Isa Al Khalifa has ratified Law No. (28) of 2025, approving the Bahrain-Oman DTA on the elimination of double taxation and prevention of tax evasion concerning income taxes. Signed in Muscat on 15 January 2025, the treaty became effective the day following its publication in the Official Gazette.

Bahrain

TAX ADMINISTRATION

Musanada initiative

As part of its ongoing Musanada initiative, the NBR held an interactive session in Q3 2025 to engage directly with small and medium enterprises (SMEs). The session offered practical insights on VAT registration, information updates, return submissions, amendments to estimated assessments, payments, and deregistration procedures. This initiative reflects the NBR's commitment to fostering transparency, improving compliance levels, and providing hands-on support to SMEs across sectors.

NBR market oversight and enforcement

During the first half of 2025, the NBR conducted 724 inspection visits to monitor compliance with VAT and Excise legislation. These inspections led to the detection of 71 VAT violations, most commonly relating to improper invoicing practices, failure to display VAT-inclusive prices, and absence of VAT registration certificates.

Additionally, eight violations concerning excise goods were identified, resulting in fines. The NBR also uncovered eight suspected cases of VAT and Excise evasion, with legal action initiated against offenders. Penalties for confirmed evasion may include imprisonment of up to five years and fines of up to three times the amount of VAT due, or imprisonment of up to one year and fines of double the evaded excise duty. These enforcement measures underscore the NBR's commitment to safeguarding fiscal integrity and consumer protection.



Kuwait

DOMESTIC MINIMUM TOP-UP TAX (DMTT)

On 30 June 2025, Kuwait's Ministry of Finance (MOF) issued the much-anticipated Executive Regulations for Law No. 157 of 2024 (the Regulation), which governs the taxation of multinational enterprise groups (MNEs) operating in the country. The Regulations aim to interpret and clarify the provisions of the law, define procedures, implementation mechanisms, and provide a clear understanding for all relevant parties.

As background, Law No. 157 of 2024 applies to MNEs operating in Kuwait with annual consolidated revenues of EUR 750 million or more in at least two of the four preceding fiscal years (revenue threshold) based on the consolidated financial statements of the ultimate parent entity (UPE). The law, which aims to ensure that MNEs pay tax at an effective tax rate of 15% on their Kuwait profits, introduced a domestic minimum top-up tax (DMTT) that is aligned with the OECD Pillar Two Model Rules.



Taxable entities

Subject to any exclusions provided in the law, all entities incorporated or effectively managed in Kuwait and permanent establishments (PEs) in Kuwait of non-resident entities that are members of an MNE group are taxable, as are joint venture entities in Kuwait where the UPE of an MNE group holds a direct or indirect ownership interest of 50% or more. The Regulations define a JV as an entity whose financial results are reported by the UPE under the equity method of accounting, provided the UPE holds directly or indirectly 50% or more of the JV.

Permanent establishment

The Regulations provide details on the various types of PEs for Kuwait DMTT purposes which include a place of business PE, a six-month construction PE, a six-month service PE and an agency PE. A 'stateless PE' may arise in Kuwait if a non-resident entity carries out operations in Kuwait and the income from such operations is tax exempt in its home country.

Exclusions from a place of business PE are provided in certain cases provided the overall activities are of preparatory or auxiliary nature. The Regulations include provisions from the BEPS multilateral instrument to address contract splitting and commissionaire arrangements. Interestingly, a service PE may be created if the "activity" in Kuwait exceeds six months in any 12-month period irrespective of whether the non-resident is actually present in Kuwait.



Kuwait

DOMESTIC MINIMUM TOP-UP TAX (DMTT) (continued)

Tax registration

Taxable entities must register as a group for DMTT purposes, and each taxable entity must be registered within 120 days of becoming subject to the law. Where applicable, a relief is provided for the first tax period beginning on or after 1 January 2025 where the registration is due by 30 September 2025.

Tax return

The appointed Constituent Entity (CE) is required to file one DMTT return on behalf of the taxable entities of the group for each period, even if no tax is due. The deadline for filing is 15 months after the end of the relevant tax period. The tax return must be audited by an approved audit firm. Kuwait has opted for a single DMTT return for all taxable entities of an MNE group including JVs.

Transfer pricing requirements

Transactions between group entities within, and outside, Kuwait must be on arm's length terms. The Regulations specify that transfer pricing methods must be followed to arrive at the arm's length price. Additionally, each taxable entity must maintain the following documentation:

- ▶ A local file and a master file. Such documentation must be submitted to the MOF within 30 days upon request; and
- ▶ A transfer pricing disclosure form containing at minimum details of related party transactions and the transfer pricing method applied. The form must be filed with the tax return and must be audited by an approved audit firm. Our understanding is that additional rules will be issued by the MOF to provide additional details on the content and format of the form.





Kuwait

FATCA CRS and TAX TREATIES

FATCA AND CRS

On 3 September 2025, the MOF published a notification on its official website announcing that the deadline for submitting FATCA and CRS reports for the reporting year ending 31 December 2024 has been extended until further notice. This extension is due to ongoing maintenance on the MOF's Automatic Exchange of Information (AEOI) portal.

Further, the MOF has also recently updated the CRS reportable jurisdictions list from 84 to 87 jurisdictions for the reporting year ending 31 December 2024.

TAX TREATIES

Kuwait - Saudi Arabia

Kuwait published Decree-Law No. 80 of 2025 in the Official Gazette on 6 July 2025 ratifying the income tax treaty signed with Saudi Arabia. The provisions of the treaty will apply from 1 January following entry of the treaty into force. The treaty will enter into force once both the countries complete the exchange of ratification instruments.

The treaty is applicable to tax residents in Saudi Arabia and Kuwait. For the purpose of the treaty, a Kuwaiti national who has a permanent home in Kuwait qualifies as a resident as are companies and entities incorporated in Kuwait. From the perspective of Saudi Arabia, the term "resident" includes any person who is taxable under the laws of Saudi Arabia by reason of his domicile, residence, place of incorporation, place of management or any other criterion of a similar nature.

The treaty grants the source state the right to tax dividends at 5% and to tax royalties and technical services fees at 10%. The state of residence state has an exclusive right to tax interest income.

Kuwait - Austria

On 17 June 2025, the officials from Kuwait and Austria signed the protocol to amend certain provisions of the tax treaty signed in 2002 between the two countries. Kuwait published the amended tax treaty on 5 October 2025. The amended treaty updates certain provisions relating to tax information exchange mechanisms and aligns the treaty with minimum Base Erosion and Profit Shifting (BEPS) standards. It also permits each jurisdiction to impose to apply the domestic laws relating to the global minimum tax framework.

Kuwait - Tajikistan

Kuwait published Decree-Law No. 91 of 2025 in the Official Gazette on 3 August 2025 ratifying the amendment to the protocol to tax treaty signed 3 November 2024. The protocol modifies certain provisions of the tax treaty signed by the two countries in June 2013.

Kuwait - Jordan

The Council of Ministers in Jordan, on 6 August 2025, have approved the protocol to amend certain provisions of the Kuwait-Jordan tax treaty signed in 2001. The protocol will need to be signed by both countries and ratified in the respective jurisdictions.





The Sultanate of Oman

DOMESTIC AND INTERNATIONAL TAXES

Corporate income tax

On 2 September 2025, His Majesty Sultan Haitham bin Tarik issued Royal Decree No. 62/2025 to ratify an agreement signed in the City of Muscat on January 15, 2025, between Oman and Bahrain on the elimination of double taxation and the prevention of tax evasion with respect to income tax.

The agreement aims to legally protect investors from the imposition of double taxes and regulate the imposition of tax between the two friendly countries. It is intended that this will contribute to enhancing investment and trade. Details of the new treaty are awaited.

International tax

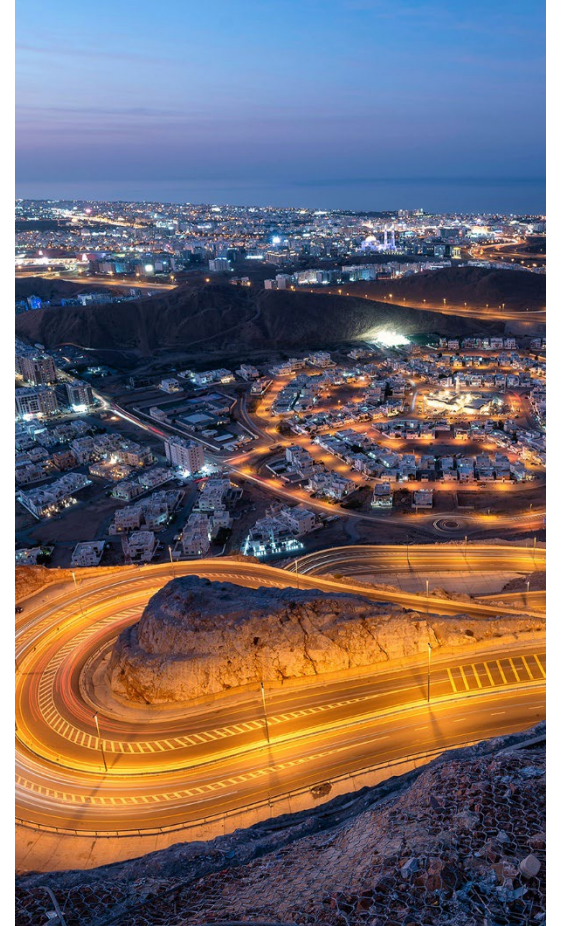
The Sultanate of Oman has been rated 'largely compliant' with international standards on tax transparency and exchange of information by the OECD's Global Forum. This rating follows a comprehensive peer review, including an on-site assessment in Muscat in September 2024 and discussions at the Forum's meeting in Bucharest in June 2025.

The positive outcome highlights Oman's progress in strengthening transparency, governance, and alignment with global tax practices. The Tax Authority confirmed its commitment to continue adopting international best practice.

Value added tax

The Oman Tax Authority has announced the launch of electronic invoicing in Oman, which will form part of Oman's digital transformation under the Oman Vision 2040.

A phased rollout of mandatory e-Invoicing could begin in 2026 and extend through 2028.





Qatar

CORPORATE INCOME TAX

Penalty Exemption initiative

The General Tax Authority (GTA) has announced the extension of its 100% financial penalty exemption initiative through to 31 December 2025.

The initiative provides a waiver of financial penalties related to:

- ▶ Late tax registration
- ▶ Late return filing
- ▶ Late tax payments

Both corporate and individual taxpayers can benefit from the waiver, which covers the period from 2014 to 2024. Over 7,000 taxpayers have already benefited, with more than QAR 1.6 billion in penalties waived.

Taxpayers should review tax obligations and identify any outstanding issues as this is an opportunity to regularise tax positions without triggering penalties.

BDO Qatar is able to help taxpayers with reviewing their tax affairs and navigating the application process for the penalty exemption.





Kingdom of Saudi Arabia

VALUE ADDED TAX

Implementing regulations

The Board of the Zakat, Tax and Customs Authority (ZATCA) has approved amendments to the VAT Implementing Regulations. The official decision was published in the Official Gazette on April 18, 2025. Most amendments took effect from that date, with the following exceptions:

- ▶ The VAT grouping provisions (Article 10, Paragraph 1) will take effect on the 15th of October 2025, which is 180 days from the publication date.
- ▶ The deemed supplier provision (Article 47, Paragraph 3), relating to electronic marketplaces, will take effect on 1st of January 2026.

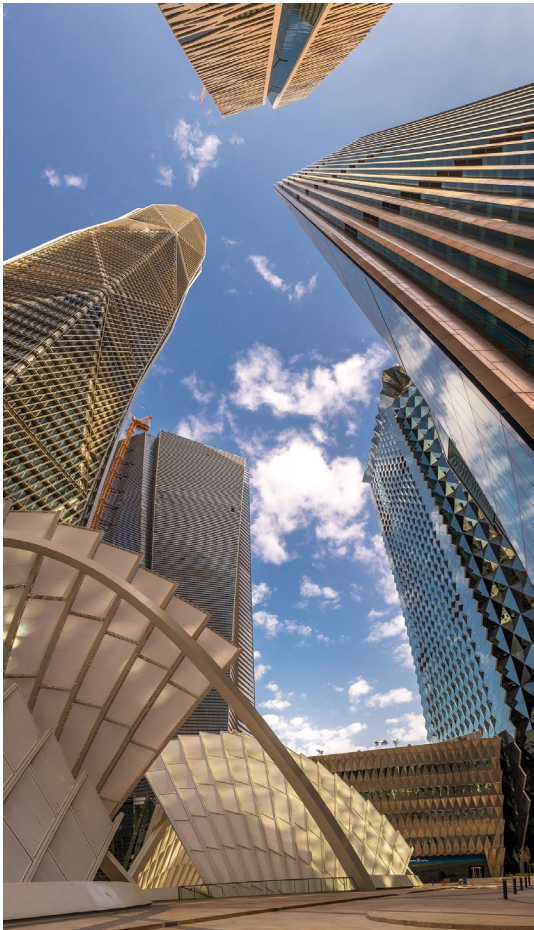
The amendments to the VAT Implementing Regulations are significant, providing further clarification, procedural guidance, and detailed instructions for implementing specific provisions. Key highlights are summarised below.

Reference	Description
VAT Groups Article 10/1 Article 11/1, 2, 6, and 7 Article 12/7	There are amendments to the VAT Group conditions for two or more legal entities to apply for VAT group registration. The following are the main additional conditions: ▶ Residency and VAT eligibility: All members must be residents of the Kingdom and eligible for VAT registration. ▶ Special Zones Restriction: Group members must not be licensed to operate in special economic zones that have unique regulatory treatment, nor can they be part of another VAT group under customs suspension arrangements. ▶ Refund eligibility: Applicants or group members must not be classified as VAT refund-eligible persons under Article 70 of the VAT Implementing Regulations, except for: • Licensed real estate developers whose activities are limited solely to property sales and transfers of ownership to their employees. • Eligible persons for refunds as donors to public benefit projects. All these conditions must continuously be met for the duration of the VAT group’s registration. Additionally, a new requirement mandates the submission of a copy of the agreement between the parties as part of the VAT group registration application. This agreement must clearly outline the relevant commitments and obligations of each member.
Supply of services Article 14/2	The new regulations provide a non-exhaustive list of what constitutes a supply of services. This includes the following: 1. Granting, waiving, assigning, suspending, or relinquishing a right. 2. Providing facilitation or benefits. 3. Committing to refrain from performing a specific act or allowing it to be performed. 4. Agreeing to waive the right to participate in any activity, preventing such participation, or agreeing to engage in an activity. 5. Waiving or transferring an indivisible share in a good. 6. Permitting the use of, transferring, or waiving intangible rights. This includes, for example, copyrights, patents, artistic rights, trademarks, and other rights under applicable laws in the Kingdom.



Kingdom of Saudi Arabia

VALUE ADDED TAX (continued)



Transfer of economic activity

Article 13/13

Article 17/1, 2, 5, and 6

Additional clarification has been provided regarding what constitutes a 'transfer of economic activity.' This includes scenarios such as the transfer of all tangible and intangible assets, as well as the continued use of goods or services to carry out the same economic activity as that of the transferor.

In the case of a business transfer, both the transferor and the recipient are required to notify ZATCA by the end of the month following the month in which the transfer occurs. ZATCA has also specified the information that must be included with this notification.

The new regulations further clarify the recovery of input VAT in the context of a transfer of economic activity. For instance:

1. The recipient can claim input VAT deductions or refunds related to the transferred economic activity in specific cases under Article 40.
2. The Tax Identification Number (TIN) remains with the transferor and cannot be transferred to the recipient. If a full business transfer occurs, taxable persons must cancel their VAT registration.
3. The transfer of economic activity is not intended to change or distort the respective tax obligations of the transferor and recipient before or after the transfer, unless explicitly agreed upon in a binding contract between the parties. In all cases, however, the recipient will not be held liable for any VAT liabilities or infringements committed by the transferor prior to the transfer.

Adjustment of unpaid input VAT

Article 40/10

Taxable persons who have claimed input VAT on their VAT returns but have not paid the corresponding amount within 12 months must adjust the input VAT in the return for the period when the 12-month period expires. However, this requirement does not apply to financing contracts (such as operating leases, Murabaha, or lease-to-own arrangements) if certain conditions are met.



Kingdom of Saudi Arabia

VALUE ADDED TAX (continued)



**Electronic marketplaces:
Deemed supplier rule**

Article 47

The new regulations provide a definition of the electronic marketplace. They indicate that when an electronic marketplace acts as an intermediary for either a non-resident supplier (Scenario A) or a non-registered resident supplier (Scenario B) within the Kingdom, it will be treated as if it has acquired and supplied the services, or goods and services, on its own account. In such cases, the marketplace will be considered a deemed supplier and will be responsible for reporting and remitting the VAT on those supplies.

Exceptions to the deemed supplier rule are as follows:

- ▶ **Scenario A: The nominal supplier obligation does not apply if:**
 - a. The agreement explicitly states that the non-resident supplier is the principal supplier, supported by appropriate invoices and receipts, and
 - b. The electronic marketplace does not engage in any of the following activities: setting the terms and conditions for the supply of services to customers, determining the consideration to be received, collecting payments from customers, handling customer complaints, or offering promotions or compensation to customers.
- ▶ **Scenario B: The nominal supplier obligation does not apply if:**
 - a. It is clearly disclosed that the supply is made by a non-registered resident supplier on the platform, and this is properly reflected in the contract, invoice, and receipt.
 - b. There is a direct contractual relationship between the non-registered resident supplier and the customer, with the supplier setting the terms and conditions, and
 - c. The electronic marketplace does not engage in any of the following activities: setting the terms and conditions for the supply of services to customers, determining the consideration to be received, or collecting payments from customers.

Tourist refunds
Article 73/3

The refund process will be managed by approved service providers. Additional rules regarding the implementation of the tourist refund scheme will be announced by the Governor of ZATCA in due course. These rules will address key aspects, including the rollout of the scheme, eligibility requirements, conditions for classifying an individual as a tourist, identification of eligible goods, supplier accreditation, and the procedures and requirements for tourist refund applications.

Kingdom of Saudi Arabia

WAIVER OF PENALTIES AMNESTY

All taxpayers should note that the current extension of the ‘Cancellation of Fines and Exemption of Penalties initiative’ ceases at the end of this quarter: 31st of December 2025. At this stage it is not known whether there will be a further extension.

The fines covered under the amnesty are related to:

- ▶ Value Added Tax (VAT),
- ▶ Withholding tax, Excise,
- ▶ Income tax,
- ▶ Real Estate Transaction Tax (RETT).





United Arab Emirates

CORPORATE TAX

Depreciation adjustments for investment properties

The UAE Ministry of Finance (MoF) has released Ministerial Decision No. 173 of 2025 on Depreciation Adjustments for Investment Properties held at Fair Value for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, in July 2025. Under this Ministerial Decision, taxpayers that elect to realise gains and losses on realisation basis, can choose to deduct depreciation from their taxable income. The Ministerial Decision applies to tax periods starting on or after 1 January 2025.

This update reflects the MoF's commitment to ensuring a level playing field for all taxpayers and ensuring that CT deductions are aligned with international best practice.

The key terms defined under this Ministerial Decision are:

Investment Property: A building or part of a building held by the owner or by the lessee as a right-of-use asset to earn rental income or for capital appreciation or both, as specified in the International Accounting Standard No. 40 adopted by the International Accounting Standards Board. An investment property does not include land and any exclusions provided for in the International Accounting Standard No. 40.

Opening Value: The original cost reduced by an aggregate depreciation deduction of 4% for each Gregorian calendar year or otherwise prorated for part of the Gregorian calendar year, during which the relevant taxable person held the investment property prior to the tax period as specified in the Ministerial Decision.

Calculating depreciation

A tax-deductible depreciation of the lower of the following two amounts can be claimed by the Taxable Person:

- ▶ 4% (four percent) of the Original Cost for each twelve-month tax period or prorated where the tax period is shorter or longer than twelve months, or where the Investment Property is held for only part of the tax period.
- ▶ The tax written down value at the start of the relevant tax period.

To claim the deduction the taxable person should prepare the financial statements on accrual basis and elect to take into account gains and losses on a realisation basis pursuant to Clause (3) of Article (20) of the Corporate Tax Law. The election is irrevocable.

Election timeline

If a business holds an investment property in the first tax period covered by this decision, it must make the election in the tax return for that same period.

If a business does not hold an investment property in the first applicable tax period, the election must be made in the tax return for the period when the first investment property is acquired.

If the election is not made within these time limits, the business loses the right to make the election later.

If a business had previously elected for Article 21 (Exempt Person status), the election must be made in the first tax period when Article 21 no longer applies.

The Ministerial Decision gives guidance on which events are to be treated or not treated as the realisation of gains or losses of investment property.



United Arab Emirates

CORPORATE TAX (continued)

Tax groups - Special purpose financial statements

On 25 March 2025, the Ministry of Finance issued Ministerial Decision No. 84 of 2025, introducing an update to the financial reporting requirements for corporate tax groups. This decision authorised the Federal Tax Authority (FTA) to define the specific form, procedures, and manner for preparing and maintaining audited special purpose financial statements for tax groups. These statements aggregate the standalone financials of each group member without requiring individual audits.

Further to this, FTA Decision No. 7 of 2025 was released, which outlines a structured framework for preparing aggregated financial statements for tax groups. This was followed by the publication of Public Clarification CTP007 to provide further guidance. CTP007 explains the practical application of Decision 7 of 2025, including how standalone financial statements are aggregated. The clarification also confirms that these are special-purpose financial statements prepared solely for corporate tax compliance and therefore may deviate from IFRS principles in certain respects.

Unlike traditional consolidated financial statements, aggregated financial statements are specifically required for entities forming a Tax Group under UAE Corporate Tax. These statements must include only those subsidiaries that meet all the conditions necessary to be part of the Tax Group.

BDO comments

The issuance of FTA Decision No. 7 of 2025 marks a significant milestone in the UAE's Corporate Tax compliance landscape, introducing a clear and structured approach to reporting for Tax Groups. This ensures transparency, consistency, and accuracy in the determination of taxable income at the group level. Taxpayers must now carefully assess their group structures, accounting practices, and reporting systems to align with these new requirements. With the evolving UAE Corporate Tax landscape, proactive planning and early engagement with auditors and tax advisors are essential to ensure timely compliance and avoid potential lapses.

It is important to note that specifying the applicable accounting framework is a requirement when preparing aggregated financial statements. Certain provisions outlined by the Federal Tax Authority (FTA) may not fully align with IFRS or IFRS for SMEs. Therefore, taxable persons should actively consult with their auditors and tax advisors to understand the implications of these decisions and ensure accurate reporting.

As the UAE continues to refine its Corporate Tax framework, staying informed and prepared will be key to navigating this evolving regulatory environment.



United Arab Emirates

CORPORATE TAX (continued)



Free zone relief - qualifying and excluded activities

On 28 August 2025, the Ministry of Finance published Ministerial Decision No. 229 of 2025 and Ministerial Decision No. 230 of 2025, which repeal the earlier Ministerial Decision No. 265 of 2023 on free zone relief with retrospective effect from 1 June 2023. These decisions introduce significant clarifications and expansions to the scope of qualifying activities under the free zone regime, particularly for free zone persons engaged in trading of qualifying commodities.

Some of the key highlights from the decision are set out below.

Qualifying commodities

The requirement of the commodities to be “in raw form” has been removed, thereby broadening the scope. The updated definition includes:

- ▶ Metals and minerals
- ▶ Industrial chemicals
- ▶ Energy commodities
- ▶ Agricultural commodities
- ▶ Associated by-products
- ▶ Environmental commodities (e.g., carbon credits, renewable energy certificates)

To qualify, the traded commodities must have a quoted price published by either:

- ▶ A recognized commodity exchange market, or
- ▶ A recognized price reporting agency (RPA). This aspect has been added considering the industry norms and private clarifications filed by individual taxpayers.

The following RPAs are now officially recognized for this purpose:

- ▶ S&P Global Commodity Insights (Platts & Fertecon)
- ▶ Argus Media
- ▶ ICIS
- ▶ RIM Intelligence
- ▶ CRU Group
- ▶ Fastmarkets
- ▶ General Index
- ▶ ICE (Intercontinental Exchange)
- ▶ MONTEL
- ▶ Spark Commodities
- ▶ Expana

Corporate tax guides

The FTA has published and updated the following procedural guides:

- ▶ Corporate Tax payments
- ▶ Corporate Tax Return
- ▶ Change in Corporate Tax period
- ▶ Corporate Tax De-registration



United Arab Emirates

DOMESTIC MINIMUM TOP-UP TAX

The UAE's domestic minimum top-up Tax ('DMTT') has now been transitionally confirmed as a qualified domestic minimum top-up Tax (QDMTT) by the OECD. The regulations will now undergo a detailed peer-review process before attaining permanent qualified status.

This recognition is essential as it ensures that once the UAE DMTT is applied, it is directly creditable against any Income Inclusion Rule or Undertaxed Profits Rule obligations in the relevant headquarter jurisdictions, eliminating incremental taxation and simplifying compliance for multi-national enterprises.

As Pillar Two continues to evolve, the UAE's proactive alignment ensures it remains at the forefront of global tax reform balancing sovereignty with international cooperation.





United Arab Emirates

TAX PROCEDURES LAW



Public clarification

The FTA has updated the guide on issuing private clarifications (TPGPC1), replacing the November 2024 guide. The new guide introduces significant procedural enhancements, revised application requirements and changes to the scope of private clarifications.

We have summarised the key changes opposite, and in the following page:

Topic	New guidance	Guide published in November 2024
Applicability	Applicable from 1 March 2025	Applicable from 1 July 2024 to 30 April 2025
Applicable taxes	▶ Comprehensive coverage of VAT, Excise Tax and full inclusion of Corporate Tax Clarifications ▶ Unilateral Advance Pricing Agreements will also be applicable from Q4 2025 onwards ▶ Reference to forthcoming Pillar Two clarifications (GloBE Rules)	▶ VAT and Excise Tax ▶ Corporate Tax addressed only in specific cases
Eligible applicants	▶ Exempt Persons can apply for Corporate Tax clarifications ▶ Clarifies that joint clarifications are only for parties to the same transaction	Limited provision for joint requests (case-by-case)
Scope of clarifications	Explicit exclusion of all third-party affairs	Only for the applicant’s own tax affairs
Application process & documentation	▶ More robust, structured requirements have been introduced. ▶ Factual cover letter must also provide details such as factual background; Clear description of uncertainty; technical analysis; cited UAE tax law and FTA publications; applicant’s and alternative views ▶ Should have complete alignment between request form and evidence ▶ All alternative tax views must be addressed to show “uncertainty” is genuine.	Required use of prescribed EmaraTax form. The form had to be filed with basic supporting docs such as a cover letter, evidence, and any third-party tax advice



United Arab Emirates

TAX PROCEDURES LAW (continued)



Topic	New guidance	Guide published in November 2024
Clarification request fees refunds	▶ Automatic refund if MoF is working on law change, or in case of ineligibility. ▶ Partial refund if clarification is filed for multi-tax issue and only one only issue is clarified	Fee paid is non-refundable except for withdrawals within two business days or under specified circumstances
FTA response time	Unified 60 business days for all taxes (VAT, TP and CIT)	▶ 50 business days (VAT/Excise) ▶ 60 business days (Corporate Tax)
Applicant's response time	▶ The applicant has 40 business days to respond to FTA information requests ▶ Non-response now equals automatic rejection rather than mere closure.	▶ The applicant has 40 business days to respond to FTA information request ▶ The FTA “may close” the request in case non-response for additional information.
Administrative exceptions	Specifically lists tax invoices, credit notes, and other administrative elements as out-of-scope	Covers mainly VAT and Excise Tax administrative issues
Advance pricing agreements	Available unilaterally from Q4 2025	Not mentioned

United Arab Emirates

VALUE ADDED TAX

e-Invoicing

The Open Peppol Authority published UAE-specific PINT AE (Peppol International) specifications in June 2025 to support the UAE's e-invoicing implementation from July 2026. A minor update to this release was published in July 2025. The PINT specifications are an important foundation for the upcoming e-invoicing regime, allowing taxpayers to align their systems to the e-invoicing requirements.





United Arab Emirates

EXCISE TAX

Sweetened drinks

The Federal Tax Authority (FTA) issued Public Clarification EXTP012 on 5 September 2025, outlining expected amendments to the excise tax legislation. These amendments introduce a tiered volumetric model for the calculation of excise tax on sweetened drinks.

This marks a significant shift from the current ad valorem method (based on a percentage of the excise price), and is designed to better reflect the sugar content in determining the tax liability.

Under the revised rules, a sweetened drink is defined as:

“A product to which a source of sugar, artificial sweeteners or other sweeteners is added, that is produced for consumption as a drink – whether ready to drink, or in the form of concentrates, powders, gels, extracts or any other form that can be converted into a drink.”

The excise tax will be calculated based on the total amount of sugar and other sweeteners (excluding artificial sweeteners) per 100 ml of the beverage. The following tax bands will apply:

Category	Sugar Content (per 100 ml)	Excise tax treatment
High Sugar	≥ 8g	Subject to tax at the highest rate (to be specified by Cabinet Decision)
Moderate Sugar	≥ 5g and < 8g	Subject to tax at a moderate rate (to be specified)
Low Sugar	< 5g	Subject to tax at a lower rate (to be specified)
Artificial Sweeteners Only	0g sugar/other sweeteners	0% Excise Tax

Carbonated drinks will no longer be treated as a separate excise category. Instead, these beverages will be assessed under the new definition of sweetened drinks, and taxed based on sugar content and classification.

From a date to be announced by the FTA, taxable persons may only register (or update existing registrations of) beverages as excise goods through the FTA’s excise goods portal, where they must provide the following supporting documentation:

- ▶ A laboratory report from a UAE-accredited laboratory confirming whether the drink contains added sugar, other sweeteners, or artificial sweeteners
- ▶ The total amount of sugar or other sweeteners per 100 ml

MOIAT (the Ministry of Industry and Advanced Technology) will publish a list of accredited labs for this purpose.

If a lab report is not provided at the time of registration, the drink will be automatically classified as high sugar and taxed at the highest rate. Where a lab report is submitted later and shows a lower sugar content, excise tax may be adjusted or refunded, subject to conditions.

The FTA will issue detailed transitional rules covering the treatment of stockpiled drinks, situations where products were classified or taxed prior to lab testing and mechanisms for tax adjustments due to post registration reclassification. These provisions will aim to prevent tax advantage through stockpiling or early classification.

The following are not classified as sweetened drinks under the new regime:

- ▶ Energy drinks (still subject to existing Excise Tax of 100% of the excise price)
- ▶ 100% natural fruit/ vegetable juices with no added sugar or sweeteners
- ▶ Milk and dairy products
- ▶ Baby formula, follow-up formula, or baby food

United Arab Emirates

EXCISE TAX (continued) AND CUSTOMS DUTIES

- ▶ Beverages/ concentrates for special dietary and medical use
- ▶ Beverages prepared by natural persons for personal/non-commercial use
- ▶ Beverages prepared and served in open containers (e.g. restaurants) that are not hermetically sealed

The move to a tiered volumetric Excise Tax model is a positive and progressive development. By aligning tax rates with actual sugar content, the regime promotes healthier consumption, greater fairness, and transparency. Previously, higher-priced low-sugar drinks could be taxed more than cheaper high-sugar ones, a disparity now addressed.

While the change introduces compliance challenges, especially around lab testing and product re-registration, it also creates opportunities for businesses to reformulate products, tap into low, or no-sugar segments, and plan with greater certainty.

Public clarification on natural shortages

The FTA issued a public clarification on Natural Shortage of Excise Goods (EXTP011) in July 2025 supplementing the Decision No. (6) of 2025. This provides procedural and administrative guidance for businesses seeking excise tax relief related to natural shortages of excise goods stored in designated zones.

Natural shortages refer to losses arising from the inherent nature of excise goods (such as evaporation, leakage, or degradation) under controlled conditions. These are not considered a release for consumption if they meet FTA criteria. The guide gives details on how to claim relief, including the use of an independent competent entity (ICE) to evaluate and report on natural losses, the content of ICE reports, the submission process, timelines and FTA reviews.

Failure to notify the FTA within stipulated timelines or submit acceptable documentation can result in the shortage being treated as a taxable release, potentially leading to additional excise tax liabilities and penalties.

Customs duty

The GCC Integrated Customs Tariff, a 12-digit system, became effective on 1 January 2025. This aims to streamline customs procedures across the region.

Dubai Customs has published Customs Notice No. 10/2025 dated 23 July 2025 outlining a flexible implementation of the 12-digit system. Details on how other Emirates in the UAE will implement the system are expected in due course.

It should be noted that the move to 12-digit code goes beyond customs and will also be crucial to achieving e-invoicing readiness by July 2026.



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