



# BDO GCC Tax update

Q1 March 2026

# Contents [\(clickable\)](#)

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## BAHRAIN

---

- ▶ Domestic minimum top-up tax (DMTT) 4

## KUWAIT

---

- ▶ Tax treaties 5

## THE SULTANATE OF OMAN

---

- ▶ Top up tax 6
- ▶ Corporate tax 7
- ▶ Value added tax 8

## QATAR

---

- ▶ Income tax 9

## KINGDOM OF SAUDI ARABIA

---

- ▶ Special economic zones 10
- ▶ E-invoicing 11

## UNITED ARAB EMIRATES

---

- ▶ Corporate tax 12
- ▶ Transfer pricing 15
- ▶ Value added tax 16
- ▶ E-invoicing 18
- ▶ Excise tax 22
- ▶ Summary of updates in VAT and excise law applicable on or after 1 January 2026 24
- ▶ Customs duty 25

## KEY CONTACT INFORMATION



# Introduction

BDO publishes a Gulf Cooperation Council (GCC) tax update on a quarterly basis, and we're delighted to share the Q1 2026 edition with you. This update provides a summary of the tax news from around the region.

The first quarter of this year has been slightly quieter than in some years, possibly as a result of Ramadan and Eid-al-Fitr falling during the period. Nonetheless, there has been progress on many topics and there has been important tax news and changes in all the GCC countries.

Once again, most of the news has come from the UAE where the corporate tax continues to mature and the plans for e-invoicing continue to gather momentum. It is also interesting to note that the Dubai Customs authority has introduced some relaxations in response to the current situation in the Middle East, with temporary measures to allow cargo destined for Jebel Ali Port and its free zones to be rerouted through the ports of Khorfakkan and Fujairah. The relaxation allows goods to be transported directly to Dubai by road without requiring standard customs clearance at the intermediate ports. The relaxation allows goods to be transported directly to Dubai by road without requiring standard customs clearance at the intermediate ports. This will help to keep trade flowing smoothly during the current exceptional circumstances and it is possible we will see more, similar measures in the region if the current situation continues.

In Bahrain, plans for corporate income tax to be introduced in 2027 are moving forward, with draft CIT law progressing towards enactment.

Oman has now implemented the top up tax, in accordance with the OECD Pillar 2 framework, with Royal Decree No. 70/2024 coming into effect from 1 January 2026. The roll-out of e-invoicing in Oman is also moving forward quickly, with the Oman Tax Authority issuing notifications to selected businesses for the second phase of implementation, which will take place in 2027.

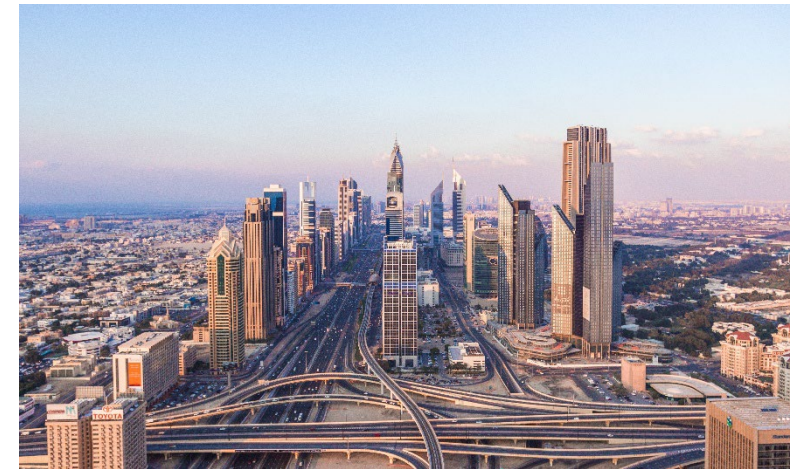
In line with in the Kuwait tax landscape. The most of the GCC countries, this was a quite quarter major developments relate to tax treaty negotiations and amendments to existing treaties.

From Saudi Arabia this quarter, there is some very interesting updates regarding Special Economic Zones, with the approval of the detailed regulatory frameworks for the SEZs. E-invoicing also continues to move forward in KSA and details of the 24<sup>th</sup> implementation wave have been released.

In line with most of the GCC countries, this was a quiet quarter in the Kuwait tax landscape. The major developments relate to tax treaty negotiations and amendments to existing treaties.

Qatar continues to update and enhance its tax legislation with progress on global minimum tax, modernisation of its tax treaty rules and the introduction of restructuring reliefs.

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: contact details for all our GCC offices can be found on the back page of this publication. You will also find additional information on the relevant BDO firm's web site.



# Bahrain

## CORPORATE INCOME TAX

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### Draft CIT law

Bahrain plans to introduce a 10% Corporate Income Tax (CIT) which will be effective from 2027. The tax will target companies with annual revenues exceeding BHD 1 million or net profits over BHD 200,000, with tax imposed on profits over the threshold of BHD 200,000. The draft law, referred to legislative authorities in late 2025, aligns with economic diversification plans and includes a potential 5% withholding tax on certain cross-border payments.

The draft law was formally referred to the Bahraini National Assembly by the Crown Prince and Prime Minister, to be discussed by its members.



# Kuwait

## TAX TREATIES

### Kuwait-Jordan

On 15 March 2026, Kuwait officially published the protocol amending certain provisions of the tax treaty between Kuwait and Jordan. The Protocol implements certain BEPS measures to combat tax evasion and introduces new changes as summarised below:

- a. The preamble to the treaty was removed and a new text was introduced in line with the BEPS project to ultimately remove any opportunity for double non-taxation or reduced taxation through tax avoidance or evasion.
- b. The article on covered taxes was replaced with a new article. Kuwait added the recently introduced Domestic Minimum Top-Up Tax Law as a covered tax and removed Zakat from the taxes previously covered by the treaty.
- c. A new article for technical services has been introduced which permits the source state to tax fees from consulting and technical nature at a rate of up to 20%, subject to meeting certain conditions.

- d. A Principal Purpose Test was introduced to deny treaty benefits if it is reasonable to conclude that obtaining that benefit was one of the main purposes of an arrangement or transaction.
- e. Additionally, the exchange of information article was replaced with a new text to make such a process more effective.

The Protocol will become effective once the exchange of ratification instruments has been completed by both the countries.

### Kuwait-Qatar

Qatar recently ratified and published the tax treaty with Kuwait. The treaty was signed in June 2025 and ratified by Kuwait in October 2025. The treaty will become effective following the exchange of ratification instruments.



# Oman

## TOP UP TAX

### Draft Executive Regulation

The Sultanate of Oman implemented the OECD's Global Base Erosion and Profit Shifting Pillar 2 rules through the Supplementary Tax Law (Royal Decree No. 70/2024), which was effective from 1 January 2025.

The law applies to:

- ▶ Constituent entities of foreign MNE groups located in Oman, and
- ▶ Constituent entities of Omani-headed MNE groups operating outside Oman

The law only applies where the Ultimate Parent Entity (UPE) of the MNE Group has consolidated group revenues of EUR 750 million or more (approximately OMR 334 million) in at least two of the last four fiscal years.

The Oman Tax Authority (OTA) released draft Executive Regulations to the Law on 11 March 2026 for public consultation, until 18 March 2026.



# Oman

## CORPORATE TAX



Oman has continued its efforts to strengthen international tax cooperation by signing a double taxation avoidance agreement (DTAA) on 29 January 2026 with the Federal Republic of Austria.

The agreement aims to legally protect investors from the imposition of double taxes and regulate the imposition of tax between the two friendly countries. This is intended to enhance investment and trade exchange. The new tax treaty will enter into force after the ratification instruments are exchanged. Details of the new treaty are awaited.

# Oman

## VALUE ADDED TAX

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### E-Invoicing - Phase 2 Client Notification

Following the rollout of the first phase of E-invoicing, which is expected to go live in August 2026, the rollout of Phase 2 is gaining momentum, with the OTA issuing official notifications to selected businesses. Companies identified under this phase, scheduled for implementation in February 2027, are being directly contacted via their registered email addresses on the tax portal.

This notification marks a critical step in Oman's digital tax transformation, requiring businesses to begin preparations for compliance with the e-invoicing framework under the Fawtara system.



# Qatar

## INCOME TAX

### Global Minimum Tax

Qatar has implemented the OECD/G20 BEPS 2.0 Pillar Two framework through its new GloBE legislation. This introduces a 15% minimum effective tax rate on profits generated by multinational enterprises (MNEs) in the country. The legislation also imposes an Income Inclusion Rule (IIR) requiring Qatar-based parent entities to remit top-up tax on low-taxed foreign income, ensuring that profits are appropriately taxed either domestically or at the parent level.

These measures are effective from 1 January 2025 for MNEs meeting the revenue threshold of €750 million. The rules apply across all jurisdictions in Qatar and require registration, reporting, and compliance through a designated local entity. These measures reinforce Qatar's commitment to international tax standards, protect its tax base, and signal leadership in implementing global minimum tax rules within the Gulf region.

### Introduction of Direct Application Mechanism for Double Taxation Treaties

Qatar has modernised its tax treaty administration by introducing a direct application mechanism for Double Taxation Agreement (DTA) benefits. Under Cabinet Decision No. 4 of 2026, eligible Qatari taxpayers can obtain certified/approved debtor status, allowing them to apply treaty benefits directly at source to qualifying non-resident recipients. This system eliminates reliance on post-payment refunds, enhances transparency, and places clear compliance responsibilities on certified debtors. The reform coincides with Qatar's first DTA with Kuwait and is expected to encourage cross-border investment, streamline business operations, and strengthen the effectiveness of Qatar's treaty network in the region.

### Business Restructuring

Qatar has amended its tax legislation to introduce provisions facilitating business restructuring, applicable to both MNE groups subject to GloBE rules and other entities. Effective from 1 March 2026, these provisions allow taxpayers to seek approval from the General Tax Authority for restructuring relief, with implicit approval granted if no response is received within 30 days. The measure reflects Qatar's ongoing tax modernization and aligns with broader economic reforms and the Third National Development Strategy. By providing a structured framework for restructuring, the legislation supports businesses in adapting to evolving market conditions while maintaining compliance with tax regulations.



# Saudi Arabia

## SPECIAL ECONOMIC ZONES

In January 2026, the Saudi Council of Ministers approved the detailed regulatory frameworks governing the four special economic zones (SEZs) of King Abdullah Economic City (KAEC), Ras Al-Khair (RAK), Jazan, and Cloud Computing. These frameworks will enter into force on 16 April 2026. The frameworks outline a targeted package of incentives, including specific tax and customs exemptions available to qualifying companies and, notably, exemptions from the Saudi Companies Law, the Commercial Register Law, and the Trade Names Law. There are different rules for sector-specific, location-based SEZs and Cloud computing SEZs.

### Sector-specific, location-based SEZs

1. Corporate income tax “CIT”: The licensed company is subject to income tax, in accordance with the provisions in the Tax Law, taking into account any applicable exemptions and incentives.
2. Zakat: Licensed entities operating within an SEZ are excluded from the scope of the Zakat Regulations.

3. Withholding tax: The licensed company is exempt from the withholding tax regulated under the Tax Law.
4. Customs duties: Customs duties are suspended on eligible goods brought into licensed establishments within the zone under approved customs suspension statuses.
5. VAT: Goods exchanged within the same SEZ, between different SEZs, or imported from mainland Saudi Arabia into an SEZ are subject to a zero percent VAT rate, provided certain conditions are met. Moreover, goods imported into SEZs from outside Saudi Arabia may be considered out of the scope of VAT under certain conditions.

### Cloud Computing SEZs

1. Corporate income tax: The licensed company is subject to income tax, in accordance with the provisions in the Tax Law, taking into account any applicable exemptions and incentives.
2. Zakat: Licensed entities operating within the SEZ are excluded from the scope of the Zakat Regulations.



# Saudi Arabia

## E-INVOICING



ZATCA has confirmed the criteria for selecting the targeted taxpayers in the 24 waves for implementing the "Integration Phase" of E-invoicing. It has confirmed the twenty fourth wave will include all taxpayers with taxable sales exceeding 375,000 Saudi Riyals during the calendar year 2022, 2023 or 2025. Taxpayers meeting the criteria should integrate their e-invoicing solutions with the FATOORA Platform (ZATCA's platform) starting from 30 June 2026.

It is expected that all the taxpayers registered for VAT in KSA should be subject to E-invoicing phase 2 (the Integration Phase of E-invoicing) within the current year.

# United Arab Emirates

## CORPORATE TAX (1/3)

### Research and Development Tax Credit

Ministerial Decision No. 24 of 2026 provides detailed implementation rules for the UAE's R&D Tax Credit, established under Cabinet Decision No. 215 of 2025. The Decision clarifies definitions, specifies qualifying R&D criteria, and outlines the tiered credit structure, ranging from 15% to 50% based on eligible R&D expenditure and the number of qualifying R&D staff. It reinforces that only R&D activities conducted within the UAE qualify and must meet requirements of being novel, creative, uncertain, systematic, and reproducible, aligned with OECD's Frascati Manual guidelines. The Decision also mandates pre-approval of R&D projects, comprehensive technical documentation, strict staff-based rules, and prescribes how tax credits can be utilized, aggregated within tax groups, transferred within commonly-owned entities, and carried forward subject to continuity-of-business conditions.

The Decision also introduces anti-abuse, claw-back, and compliance provisions, targeting arrangements that artificially inflate R&D expenditure, manipulate ownership, or recharacterise activities to access credits inappropriately. Special rules apply to business restructuring, cost contribution arrangements, subcontracting, and domestic groups under the UAE's Pillar Two framework, ensuring that credits are preserved only when genuine R&D activity and economic substance are maintained for prescribed periods. Any misuse, such as discontinuation of qualifying activities, violating ownership tests, liquidation within five years, or failing ongoing reporting obligations can trigger forfeiture of unutilised credits and claw-back of previously used credits, together with penalties.

The Decision comes into effect for tax periods beginning 1 January 2026, marking a significant step in aligning the UAE's innovation incentives with global best practices.

### BDO Comments

The R&D tax credit framework offers a significant incentive for businesses undertaking genuine UAE-based research, but it also introduces strict eligibility, documentation, and pre-approval requirements that demand early planning. Companies should evaluate whether their existing and planned R&D projects meet the qualifying criteria, ensure alignment of R&D staffing levels with the applicable credit tiers, and establish systems to track qualifying expenditure and maintain the required technical documentation. Group structures should also be reviewed to optimise credit utilisation through carry-forward and intra-group transfers. Given the stringent pre-approval rules, anti-abuse provisions, and potential claw-back risks, proactive coordination across tax, finance, and technical teams is essential to secure and retain the benefit.



# United Arab Emirates

## CORPORATE TAX (2/3)



### Exemption for Sports Entities

Cabinet Decision No. 1 of 2026 introduces a dedicated Corporate Tax exemption regime for eligible non-commercial sports entities, effective retrospectively from 1 June 2023. The Decision outlines clear qualification criteria for International Sports Entities, their wholly owned Sports Entities, and Ancillary Entities, requiring that they conduct only permitted activities aligned with their sporting objectives, use all income and assets exclusively for those objectives, avoid providing private benefits to non-qualifying persons, and meet any additional conditions.

Eligible entities must apply for the exemption within 60 business days from the end of the tax period in which they first meet the exemption conditions, file an annual declaration to confirm ongoing compliance, maintain seven-year records and note that the exemption can be revoked if conditions are breached or non-permitted commercial activities are undertaken.

### BDO Comments

The new exemption regime imposes strict compliance obligations, requiring sports entities to demonstrate strong governance, financial transparency, and disciplined use of funds to ensure all income and assets are applied solely toward their sporting objectives. Entities must maintain robust documentation and conduct periodic internal reviews to avoid breaches that could lead to loss of exempt status. Given the retrospective application from 1 June 2023, eligible organisations should reassess previous CT registrations and filings to confirm whether exemption applies for earlier periods and, where relevant, submit voluntary disclosures to correct past returns. Proactive coordination across cross-functional teams will be essential to meet the exemption conditions and sustain the benefits under this framework.

### Wealth and Investment Management Services and Fund Management Services - Specification of Competent Authority for Qualifying Activities

Ministerial Decision No. 336 of 2025 designates the Dubai Virtual Assets Regulatory Authority (VARA), established under Dubai Law No. 4 of 2022, as the Competent Authority responsible for overseeing the qualifying activities of wealth and investment management services and fund management services as defined under Ministerial Decision No. 229 of 2025. The Decision ensures that VARA is the recognized regulatory body for these specific activities within the corporate tax framework and is effective retroactively from 1 June 2023.

# United Arab Emirates

## CORPORATE TAX (3/3)

### Corporate Tax - Key Deadlines for 2026

With the UAE Corporate Tax regime now in its second full year of operation, a major wave of CT return filings is underway. The filing deadline is nine months from the end of the relevant tax period. Key upcoming reporting obligations for businesses on standard financial year-ends are:

- ▶ 31 March 2026: CT return due for businesses with a financial year ending 30 June 2025.
  - ▶ 30 September 2026: CT return due for businesses with a financial year ending 31 December 2025. This is the largest filing cohort, comprising the vast majority of UAE businesses.
- ▶ Transfer Pricing Disclosure Schedules: the FTA's EmarTax portal now requires businesses to submit a Related Party Transaction Schedule and Connected Persons Schedule as part of the CT return filing. These schedules require gross income reporting from related parties (not net) and separate disclosure of discounts or returns.
  - ▶ Small Business Relief (SBR): For SBR, FY 2026 is the last confirmed year for which relief remains available to businesses with revenue below AED 3 million. Any updates regarding future applicability are still awaited from the authorities.



# United Arab Emirates

## TRANSFER PRICING

### Advance Pricing Agreements

The Federal Tax Authority released its corporate tax guide on Advance Pricing Agreements (CTGAPA1) on 31 December 2025. This formally launched the UAE's APA programme and activated Article 59 of the Corporate Tax Law (Federal Decree-Law No. 47 of 2022). The guide sets out the full procedural, administrative, and technical framework for entering into APAs with the FTA.

An Advance Pricing Agreement is a binding agreement between a taxpayer and the FTA that determines, in advance, the appropriate transfer pricing methodology to be applied to specified controlled transactions over a defined future period. APAs provide certainty, reduce audit risk, and eliminate the possibility of double taxation on covered transactions.

The programme is introduced in phases:

- ▶ Phase 1 (open from December 2025): Domestic Unilateral APAs (UAPAs) - agreements between the taxpayer and the FTA only, covering domestic controlled transactions. Cross-border UAPAs for transactions involving foreign counterparties will follow under Phase 2 (date to be announced by the FTA).
- ▶ Future phases: Bilateral APAs (BAPAs, involving a foreign tax authority under a Double Tax Treaty) and Multilateral APAs (MAPAs) will be introduced once the FTA has built sufficient internal capacity.

Key parameters of the UAE APA regime:

- ▶ APA duration: minimum 3 years, maximum 5 years (prospective periods only - no rollback to prior years currently).

- ▶ Application fee: AED 30,000 (non-refundable); renewal fee AED 15,000 (introduced by Cabinet Decision No. 174 of 2025 amending the FTA's service fees).
- ▶ Indicative materiality threshold: AED 100 million in aggregate arm's length value of controlled transactions per tax period. The FTA retains discretion for smaller cases with strong justification.
- ▶ Transactions subject to safe harbour rules (e.g., low-value-adding intra-group services) are excluded from APA scope.
- ▶ For Tax Groups, only the parent entity may apply on behalf of the group.
- ▶ The process follows four stages: pre-filing consultation; APA application; FTA evaluation and negotiation; and conclusion and signing. The first domestic UAPA tax period under Phase 1 is expected to be 2028, given application and pre-filing lead times.

### BDO Comment

The launch of the APA programme represents a significant milestone in the maturity of the UAE's Corporate Tax framework, aligning it with OECD best practices and the standards of leading tax jurisdictions. Businesses with complex domestic intercompany structures - particularly those involving Qualifying Free Zone Persons and mainland UAE entities subject to different CT rates should assess whether a domestic UAPA can provide greater certainty on transfer pricing positions. Pre-filing consultations require substantial advance preparation of transfer pricing documentation and economic analysis. Given the AED 30,000 non-refundable application fee and the extended timeline to the first applicable tax period, early assessment of eligibility and strategic value is important.

# United Arab Emirates

## VALUE ADDED TAX (1/2)

### Reverse Charge Mechanism for Metal Scrap

The Ministry of Finance issued Cabinet Decision No. 153 of 2025 on 19 December 2025 introducing a Reverse Charge Mechanism for VAT on the local supply of metal scrap between VAT-registered businesses. The decision took effect on 14 January 2026.

Under the new framework, the VAT accounting responsibility shifts from the supplier to the recipient for eligible metal scrap transactions, as follows:

- ▶ Buyers (VAT-registered, acquiring metal scrap for resale or processing/ manufacturing) must account for VAT as output tax in their VAT return and simultaneously recover it as input tax (subject to normal recovery rules).
  - ▶ Suppliers issue invoices without VAT and are no longer responsible for remitting VAT on these supplies, provided the procedural conditions are met.
  - ▶ Before the date of supply, buyers must provide a written declaration confirming:
    - (i) the purpose of acquisition (resale or processing), and (ii) their VAT registration status. Suppliers must obtain, verify, and retain these declarations.
  - ▶ Invoices must clearly state that the Reverse Charge Mechanism applies.
- For these purposes, Metal Scrap means ferrous or non-ferrous metal waste with commercial value that remains useable after processing. Processing means the procedure that converts Metal Scrap into materials suitable for manufacturing new products, whether through repair, recycling, or other methods.

### BDO Comment

This decision follows the UAE's established pattern of extending the Reverse Charge Mechanism to certain sectors, following earlier extensions to gold, precious metals, and electronic devices. Businesses in this sector should have updated their invoicing systems, supplier documentation processes, and VAT return procedures.

Industries affected: Metal scrap suppliers, recyclers, processors, and manufacturers using scrap metal as a raw material input; logistics businesses handling scrap metal.



# United Arab Emirates

## VALUE ADDED TAX (2/2)

### Profit Margin Scheme

The Federal Tax Authority published a guide to the VAT profit margin scheme (VATGPM1) on 5 January 2026. This is the first official guide on a scheme that has been in operation since the introduction of UAE VAT in 2018.

The profit margin scheme (PMS) is an optional mechanism that allows VAT-registered resellers to account for VAT only on the profit margin (the difference between selling price and purchase price) for eligible goods, rather than on the full selling price. It is designed to prevent VAT cascading where input VAT on the original purchase could not be recovered. Eligible goods include:

- ▶ Second-hand goods: tangible movable items usable in their current condition or after minor repairs (e.g., used cars, mobile phones, laptops, furniture). Scrap items that cannot be re-used are excluded.
- ▶ Antiques: physical items more than 50 years old.
- ▶ Collectors' items: stamps, coins, currency, and items of scientific, historical, or archaeological value.
- ▶ Article 53 goods: goods where input VAT recovery is blocked under Article 53 of the VAT Executive Regulation, such as motor vehicles acquired for private use by company executives.

The guide clarifies key application requirements: the scheme is optional and applies per transaction; no FTA pre-approval is required; once VAT is explicitly shown on an invoice the scheme cannot be applied to that transaction; goods purchased before the introduction of UAE VAT (before 1 January 2018) do not qualify.

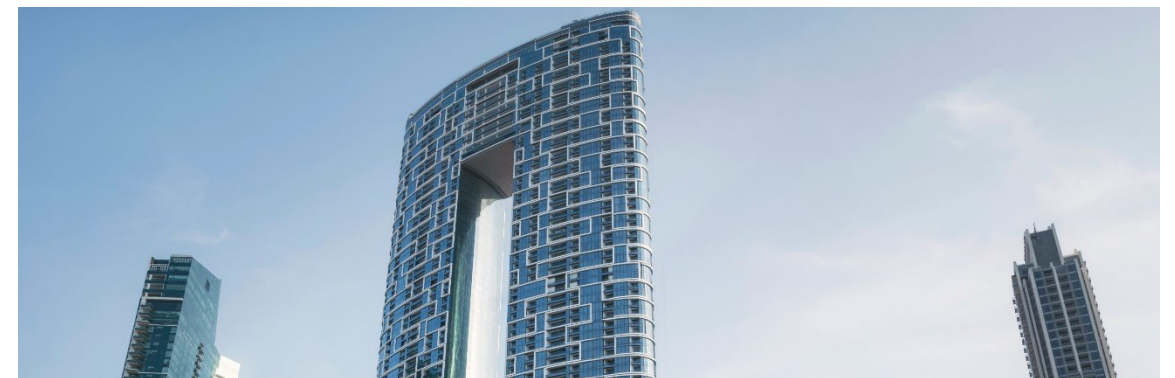
VAT under the scheme is calculated by treating the margin as VAT-inclusive. Each transaction is assessed independently - losses on one sale cannot offset profits on another.

The guide sets out specific VAT return reporting requirements: selling price (excluding PMS VAT) in Box 1; purchase price with AED nil VAT in Box 9; and the 'Profit Margin Scheme' checkbox in EmaraTax must be ticked.

### BDO Comment

The publication of VATGPM1 is a welcome development, providing formal certainty in an area that has been a source of uncertainty for many businesses. The guide signals that the FTA will focus audit attention on proof of prior VAT treatment, accurate margin calculations, correct invoicing (particularly the prohibition on showing VAT separately on PMS invoices) and VAT return reporting accuracy. Businesses currently applying the scheme should perform a compliance review against the new guide and where appropriate, update their documentation, invoice templates, and return processes as a matter of priority.

**Industries affected:** Used vehicle dealers, second-hand goods retailers and online platforms, antique and collectibles dealers, yacht and luxury asset resellers, and businesses selling assets previously subject to blocked input VAT (Article 53 goods).



# United Arab Emirates

## E-INVOICING

### Electronic invoicing guidelines

On 23 February 2026 the Ministry of Finance released three key documents outlining the implementation and requirements of the national e-Invoicing System (which is normally referred to as eInvoicing or Electronic Invoicing in official UAE communications):

- ▶ [UAE Electronic Invoicing Guidelines](#)
- ▶ [UAE Electronic Invoice mandatory fields](#)
- ▶ [Considerations for selecting an Accredited Service Provider](#)

We have summarised the key areas covered by these guidelines below:

### Scope

All persons conducting business transactions in the UAE, regardless of VAT registration, are subject to e-invoicing. They must work with a single ASP for issuing and receiving e-Invoices, and are responsible for compliance, irrespective of the customer's onboarding or tax registration status.

### Transaction types

- ▶ Mandatory for all businesses in the UAE for all B2B, B2G (government), G2B, and G2G transactions.
- ▶ Excluded: B2C and consumer (non-business) transactions.
- ▶ All in-scope entities must use one Accredited Service Provider (ASP) for sending and receiving e-Invoices.
- ▶ There are no constraints on the number of lines that can be included in an electronic invoice.

Supplier	Business		Government		Consumer	
Business	B2B	✓	G2B	✓	C2B	×
Government	B2G	✓	G2G	✓	C2G	×
Consumer	B2C	×	G2C	×	C2C	×



# United Arab Emirates

## EINVOICING (1/3)

### Invoice categories

The following six categories of Electronic Invoices can be issued:

Type	Standard Billing	Self-Billing
Tax Invoice	Electronic Tax Invoice	Self-billed Electronic Tax Invoice
Tax Credit Note	Electronic Tax Credit Note	Self-billed Electronic Tax Credit Note
Invoice	Commercial Invoice	Not applicable
Credit Note	Electronic Credit Note	Not applicable

There is no Electronic Invoice category for 'provisional invoices'. If a provisional invoice issued it should be processed in the same way as an e-invoice.

### E-Invoicing scenarios

There are eight e-Invoicing scenarios, each with its own mandatory fields and issuance rules.

Scenario	Description	Commercial Invoice?
Free Zone	Transactions involving Free Zone entities; beneficiary details required.	Yes
Deemed Supply	Free supplies, gifts, private use of assets; reporting only.	No
Margin Scheme	VAT on profit margin; VAT shown as "0".	No
Summary Invoice	Multiple supplies combined into one invoice.	Yes
Continuous Supply	Recurring or milestone-based billing.	Yes
Agent Billing	Disclosed agent invoicing on behalf of principal.	Yes
E-Commerce Supply	Online platform or website sales.	Yes
Exports	Supplies outside UAE; predefined endpoint if no Peppol ID.	No

# United Arab Emirates

## EINVOICING (2/3)



### Tax categories

The tax category is a required field on every electronic Invoice, applied at supply level for both tax invoices and commercial invoices. The table below provides a simple explanation of each tax category.

No.	Tax Category	Description
1	Standard Rate	Supplies that are fully taxable at the standard VAT rate.
2	Exempt from VAT	Goods or services that fall under VAT rules but are not charged VAT, such as certain financial services, real estate services, or local passenger transport.
3	Outside the Scope of VAT	Transactions that do not fall under VAT rules, for example when the place of supply is outside the UAE or when the law specifically excludes them.
4	Reverse Charge	Certain domestic supplies where the buyer, instead of the seller, is required to account for VAT. Imports of concerned goods and services are not required to follow Electronic Invoicing.
5	Zero Rated	Supplies taxed at 0% VAT, such as qualified exports, certain healthcare, education, and real estate-related services or goods.
6	Margin Scheme	Supplies where VAT is applied only on the profit margin, such as qualifying second-hand goods.

# United Arab Emirates

## EINVOICING (3/3)

### Electronic Invoice Mandatory Fields

- ▶ **Electronic Tax Invoice:** Contains 51 mandatory fields.
- ▶ **Commercial Electronic Invoice (XML):** Includes 49 mandatory fields to support standardized digital invoicing.

### Selecting an Accredited Service Provider (ASP)

Some of the considerations suggested in the official guidance include:

- ▶ Must support full UAE e-Invoicing compliance
- ▶ Evaluate experience, UAE presence, Peppol capability
- ▶ Confirm product ownership & integration ability
- ▶ Check compliance, certifications, strong SLAs
- ▶ Pricing must include **100 free** e-Invoices/year
- ▶ Should be scalable with a strong future roadmap

### Getting ready for Electronic Invoicing

Some of the key steps are as follows:

- ▶ Understand requirements and identify system changes needed.
- ▶ Select and onboard with an ASP via Emaratax and obtain a Peppol ID.
- ▶ Test invoice data transmission and end-to-end reporting.
- ▶ Go live and begin exchanging/reporting e-Invoices.
- ▶ Maintain updates and manage changes with your ASP.

### General responsibilities of suppliers, buyers and ASPs

No	Activities	Supplier	Buyer	ASP
1	Exchange and reporting of Electronic Invoices, including receiving confirmation messages	Y	Y	N
2	Calculating all Electronic Invoice values	Y	Y	N
3	Secure transmission of Electronic Invoices using encryption	N	N	Y
4	Agreeing business-specific data security requirements with ASPs	Y	Y	N
5	Contacting the buyer and gathering their Peppol participant identifier to issue Electronic Invoices	Y	N	N
6	Looking up the Peppol participant identifier provided by supplier	N	N	Y
7	Generating a UUID for each Electronic Invoice to ensure uniqueness and prevent duplication	N	N	Y

# United Arab Emirates

## EXCISE TAX (1/2)

### Tiered Volumetric Model for Sweetened Beverages

The UAE has introduced a significant reform to the excise tax regime on sweetened drinks through Cabinet Decision No. 197 of 2025, effective from 1 January 2026. The decision replaces the previous flat-rate excise system with a **tiered volumetric taxation model**, aligning tax outcomes more closely with sugar content.

Under the new framework:

- ▶ Excise tax is calculated based on the sugar content per 100ml, rather than applying a uniform rate.
- ▶ Higher sugar concentrations result in higher effective tax rates, introducing multiple tax bands.
- ▶ The model applies to ready-to-drink beverages, concentrates, powders, gels, and extracts intended to be converted into sweetened drinks.
- ▶ Revised rules apply for determining the excise price, which now interacts with the volumetric calculation methodology.
- ▶ Businesses are required to maintain accurate product classification, lab testing, and supporting documentation.

### BDO Comments

This reform represents a fundamental shift in the UAE excise framework and aligns with global trends toward health-driven taxation. Businesses should reassess pricing strategies, evaluate opportunities for product reformulation, and ensure that systems and processes are capable of supporting the revised calculation methodology.

### FTA Clarifications on Natural Shortage and Natural Losses in Excise Goods

During Q1 2026, the Federal Tax Authority issued Public Clarifications EXTP011 and EXTP014 addressing the treatment of natural shortages and natural losses in excise goods.

- ▶ EXTP011 - Natural Shortage of Excise Goods clarifies that shortages identified during stocktaking may not trigger excise tax where they fall within acceptable industry thresholds and are properly substantiated.
- ▶ EXTP014 - Natural Losses in Excise Goods addresses losses due to natural causes (such as evaporation or shrinkage), confirming that such losses may be excluded from excise tax subject to strict conditions.

Both clarifications require robust documentation, technical justification, and alignment with industry benchmarks. Losses that exceed acceptable thresholds or lack sufficient support may be treated as deemed released for consumption, resulting in excise tax liability.

### BDO Comments

These clarifications are particularly relevant for businesses dealing with bulk or liquid excise goods. Taxable persons should review stock management processes, define internal loss thresholds, and ensure that reconciliation and documentation procedures are audit-ready.



# United Arab Emirates

## EXCISE TAX (2/2)

### Shortage in Excise Goods

The FTA has issued Decision No. 6 of 2025 establishing standards, controls, and procedures for dealing with shortages in excise goods.

- ▶ The decision introduces mandatory procedures for identifying and reporting shortages.
- ▶ Taxable persons are required to ensure timely notification, investigation, and documentation of any discrepancies.
- ▶ Detailed records must be maintained to support the nature, quantity, and cause of the shortage.
- ▶ Non-compliance with procedural requirements may result in shortages being treated as taxable events, in addition to potential penalties.

### BDO Comments

This decision formalises the FTA's expectations around stock discrepancies and reinforces the importance of strong internal controls. Businesses should ensure alignment between warehouse operations, finance teams, and compliance functions to manage excise risks effectively.



# United Arab Emirates

## SUMMARY OF UPDATES IN VAT AND EXCISE LAW APPLICABLE ON OR AFTER 1 JANUARY 2026

The final quarter of 2025 brought significant changes to VAT, Excise Tax, and Tax Procedures Law, with most updates taking effect from 1 January 2026 onward. Below is a summary of the key changes applicable from this year.



Legislation	Tax	Key Amendments
<b>Effective from 1 January 2026</b>		
<b>Federal Decree-Law No. 8 of 2017 and amendments</b> <i>(Amendments as per Federal Decree Law No 16 of 2025)</i>	VAT	Amendment addressing the requirement of self-invoices, the time period for recovery of excess input tax, and the FTA's enhanced powers to deny input-tax claims connected to tax-evasion activities.
<b>Federal Decree-Law No. 28 of 2022 and amendments</b> <i>(Amendments as per Federal Decree Law No 17 of 2025)</i>	VAT/Excise	Strengthens tax administration, clarifies procedures, enhances FTA powers on allocation of excess input tax/payments, timeline on refunds, simplifying error corrections, and FTA issuance of guidelines.
<b>FTA Decision No. 9 of 2025 on the Conditions to Decline the Refund of Residual Amounts</b>	VAT	New guidance on conditions for declining the refund of residual amounts related to a refund request where the taxable person is subject to a tax audit.
<b>Cabinet Decision No. 65 of 2020 on FTA Services Fees and its amendments</b>	VAT	Updates to the fees for several key services provided by the FTA.
<b>FTA Decision No. 6 of 2025 on Standards, Controls and Procedures for Dealing with Shortage in Excise Goods</b>	Excise	Introduces mandatory procedures for reporting and documenting shortages, including requirements for notification, investigation, and record-keeping. Non-compliance may result in shortages being treated as taxable events.
<b>Cabinet Decision No. 197 of 2025 on Excise Goods, Tax Rates or Amounts Imposed on Excises Goods and the Methods of Calculating the Excise Price</b>	Excise	Implements the "tiered volumetric model" on sweetened beverages by updating tax rates/amounts and calculation methods for selective goods.
<b>Effective from 14 April 2026</b>		
<b>Cabinet Decision 129 of 2025 on amending Cabinet Decision No. 40 of 2017 on the Administrative Penalties for Violation of Tax Laws in the UAE</b>	VAT/Excise	Introduces major reforms to administrative penalties for non-compliance (late registration, delayed filings, record-keeping etc.)

# United Arab Emirates

## CUSTOMS DUTY

### Temporary Customs Facilitation for Cargo via Khorfakkan and Fujairah Ports

Dubai Customs has introduced a temporary facilitation measure to keep trade flowing smoothly, as exceptional circumstances continue to affect regional port operations.

Under Customs Notice No. 03/2026, issued on 8 March 2026, cargo destined for Jebel Ali Port and its Free Zones can now be rerouted through the ports of Khorfakkan and Fujairah and transported directly to Dubai by road without requiring standard customs clearance at those intermediate ports.

Once shipments arrive at Jebel Ali, containers are directed to designated yard areas where the usual customs procedures are completed. The measure is designed to minimise delays and disruption for importers and businesses relying on the Jebel Ali port.

The facilitation came into force immediately upon issuance and will remain in place for the duration of the current situation.



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