

The background of the slide is a photograph of a modern city skyline, likely Dubai, featuring several tall skyscrapers with glass facades. In the foreground, there are palm trees and a playground area. A large white diagonal shape is overlaid on the right side of the image, containing the title and date text.

BDO GCC Tax Update

Q3 October 2026

Contents (clickable)

BAHRAIN

- ▶ Value added tax 4
- ▶ Domestic minimum top-up tax 5

KUWAIT

- ▶ Multilateral agreements on country-by-country reporting and financial account information 6

THE SULTANATE OF OMAN

- ▶ Corporate tax 7
- ▶ Value added tax 8

QATAR

- ▶ Excise tax 9
- ▶ Income tax 11
- ▶ Pillar two 12

KINGDOM OF SAUDI ARABIA

- ▶ Special Economic Zones / Corporate Income Tax and Zakat 14
- ▶ Tax Administration 15
- ▶ Real Estate Transaction Tax 16
- ▶ Value Added Tax 17

UNITED ARAB EMIRATES

- ▶ Corporate tax 18
- ▶ Domestic minimum top-up tax 20
- ▶ Value added tax 25
- ▶ Customs and trade 31
- ▶ Excise tax 33
- ▶ Transfer pricing 34
- ▶ Tax procedures 36
- ▶ E-invoicing 38

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 2026 edition with you. This update provides a summary of the tax news from around the region and some of the highlights are set out below.

There is a lot of news from Qatar this month with a new excise tax regime for sweetened beverages, detailed guidance on registration and general compliance for minimum top-up tax and important enhancements to digital services for taxpayers.

The third quarter of 2026 has brought another wave of developments in the UAE, driven by the momentum of the wide-ranging legislative and administrative reform during 2025. Significant amendments, clarifications and compliance guidelines have been released this quarter covering corporate tax, domestic top-up tax, transfer pricing, indirect tax and e-invoicing. The new rules regarding mandatory supplier and supply verification before input VAT deduction (effective from 1 October) are particularly interesting and UAE VAT registered businesses should ensure they are aware of, and comply with, the new requirements.

From Oman, there is news of a new double tax treaty and an update on the country's plans for the introduction of e-invoicing.

In Bahrain there have been several important updates to tax guides including registration and domestic minimum top-up tax.

Kuwait has continued its progress towards strengthening international tax transparency through the signing of two OECD multilateral agreements relating to the exchange of tax and financial account information.

There are a variety of interesting points from Saudi Arabia including new information on the special economic zones. There is also a reminder that the penalty relief initiative is due to end on 31 December 2026. Taxpayers should check whether they can take advantage of this measure before the deadline 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: 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 website.



Bahrain

VALUE ADDED TAX

VAT general guide

Bahrain's National Bureau for Revenue (NBR) issued two updated versions of the VAT General Guide in July 2026 and September 2026. Important changes in the July version include a requirement to specify sufficient details related to the description of supplies on the VAT invoices to enable determination of the correct VAT treatment. Further, it has been specified that for supplies related to new buildings, building permit numbers should be mentioned on the invoices.

The July version clarified issues related to capital assets specifically focusing on clearer guidance on how to identify capital assets, what constitutes subsequent capital expenditure and how is such expenditure treated.

In the September version of the guide, various explanations have been added with regards to the profit margin scheme. This includes proscribed qualifications and disqualifications for assets to be treated under the profit margin scheme. Additional documentary requirements have also been set out for the scheme.

Financial services guide

The August version of this guide includes detailed discussion on reinsurance contracts. Some key clarifications include the following:

- ▶ VAT treatment must be determined based on the parties to the reinsurance contract.
- ▶ Underlying insured asset, risk or policyholder is generally irrelevant for determining VAT treatment of the reinsurance supply.
- ▶ Reinsurance is not considered a real-estate-related service merely because the insured property is real estate.
- ▶ Bahrain reinsurers may be able to zero-rate reinsurance services supplied to non-resident insurers where export conditions are satisfied.

Registration guide

As part of enhanced registration and amendment procedures, the September version of the registration guide revised certain registration requirements. The processing time has been reduced from 30 days to 5 working days. Further, the processing time for VAT registration applications and any amendment to the registration have been reduced from 30 days to 21 working days.



Bahrain

DOMESTIC MINIMUM TOP-UP TAX

Return filing manual

The NBR has issued Version 1.1 of its DMTT Return Filing Manual, providing further guidance on annual compliance and the filing process.

The manual outlines the key reporting requirements, including the Revenue Test Notification, Information Schedule and Tax Computation Schedule. It also clarifies the use of the NBR's International Tax Information Exchange System (ITIES), XML reporting requirements aligned with the OECD GIR schema and the treatment of advance tax payments and excess tax credits.

For in-scope MNE Groups, the guidance highlights the importance of confirming filing responsibilities, coordinating information across group entities and ensuring that tax computations and reporting data are aligned ahead of submission.

The Advance Tax instalment for the September quarter is due by 29 November 2026.



Kuwait

MULTILATERAL AGREEMENTS ON COUNTRY-BY-COUNTRY REPORTING AND FINANCIAL ACCOUNT INFORMATION

Kuwait signed the Multilateral Competent Authority Agreement ('MCAA') on the Exchange of Country-by-Country Reports (CbC MCAA) and the addendum to the Common Reporting Standards MCAA (CRS 2.0) on 22 June 2026.

Country-by-Country Reporting

The CbC MCAA provides a framework for the automatic exchange of Country-by-Country Reports (CbC Reports) between participating jurisdictions. CbC Reports generally apply to multinational enterprise (MNE) groups with consolidated group revenue of EUR 750 million or more and provide tax authorities with information on the group's revenue, profits, taxes paid, employees and economic activities across jurisdictions.

Kuwait is expected to issue domestic legislation establishing the CbCR filing requirement and deadlines for implementing CbCR in Kuwait. Accordingly, the practical application of the CbC MCAA in Kuwait will depend on the introduction of the relevant domestic legislation and implementation procedures.

Once implemented, CbCR is expected to provide the Kuwaiti tax authorities with greater visibility over the global operations and tax position of large MNE groups and may be used as a tool for identifying potential transfer pricing and BEPS risks.

CbCR data is also imperative for MNE groups when assessing eligibility for the Transitional CbC Safe Harbour under the Kuwait Domestic Minimum Top-up Tax, subject to the applicable conditions.

Common Reporting Standard (CRS 2.0)

The signing of the CRS MCAA 2.0 Addendum is intended to further strengthen the existing automatic exchange of information framework. CRS 2.0 expands the definition of financial institutions as well as the scope of reportable accounts and reportable information. It also incorporates developments in the financial sector, including reporting in relation to crypto-assets and certain digital financial products.



Oman

CORPORATE TAX

The Governments of the Sultanate of Oman and the Republic of Rwanda signed an agreement on 8 September 2026 on the elimination of double taxation with respect to income taxes and the prevention of tax avoidance.

The agreement aims to legally protect investors from the imposition of double taxes and regulate the imposition of tax between the two friendly countries, which will contribute to enhancing the investments and trade exchange between them.



Oman

VALUE ADDED TAX

e-Invoicing

The Oman Tax Authority (OTA) has structured Fawtara (the Oman e-Invoicing framework) implementation in phases.

Taxpayers with an annual turnover exceeding OMR 5 million will be required to implement e-Invoicing from 1 April 2027, while taxpayers with an annual turnover of less than OMR 5 million, falling under Phase 2, will be required to implement from 1 October 2027.

In addition, the 150 taxpayers nominated by the Oman Tax Authority to participate in the pilot phase may voluntarily adopt e-Invoicing on a flexible basis from 1 October 2026 onwards depending on the system readiness of the company and OTA, ahead of the mandatory implementation dates.



Qatar

EXCISE TAX (1/2)

Excise tax on sweetened beverages: compliance roadmap from July 2026

The General Tax Authority (GTA) has enacted Law No. (2) of 2026, amending Law No. (25) of 2018 and introducing a tiered volumetric model that calculates excise tax based on the sugar or sweetener content of beverages.

This law takes effect on 6 July 2026 and will directly impact producers, importers, distributors, wholesalers and commercial stockholders holding sweetened beverages for sale. The transitional obligations are immediate and time-sensitive, leaving little room for delay. Businesses should act now to avoid missing critical deadlines.

Key changes

Excise tax now applies to all beverages containing natural or added sugars or sweeteners, including soft drinks, juices, concentrates, powders and extracts.

Carbonated drinks will no longer be treated as a separate category; they fall under the new sweetened drink classification.

Tax rates are tiered by sugar content per 100ml:

Sugar/Sweetener Content	Tax Rate (QAR/litre)
Less than 5g/100ml	Nil
5g - 7.99g/100ml	QR 0.77
8g/100ml or more	QR 1.06
Artificial sweeteners only	Nil

1% of excise tax revenue will be allocated to the Ministry of Public Health for awareness initiatives.



Qatar

EXCISE TAX (2/2)

Who must register?

Any entity engaged in importing, producing or warehousing sweetened drinks in Qatar must register for excise tax. Transitional provisions also extend obligations to distributors, wholesalers and stockholders who may not have previously been subject to excise tax.

There is no registration threshold — all businesses involved must comply.

Transitional provisions

If a business holds sweetened beverages commercially outside a tax suspension arrangement on 6 July 2026, it is subject to transitional obligations. This includes producers, importers, large retailers and stockholders.

Four steps to compliance

1. Product classification and laboratory testing

- ▶ Obtain GTA-accredited laboratory reports detailing sugar and sweetener content.
- ▶ Without a report, products default to the highest tax tier (QR 1.06/litre).

2. Register products on Dhareeba Portal

- ▶ Update existing registrations and classify products under the new tiers.
- ▶ Provide laboratory reports, product details and nutritional labels.

3. File transitional declaration

- ▶ Conduct a full stock count on 5 July 2026.
- ▶ Submit an audited inventory report via Dhareeba within 90 days (by 4 October 2026).

4. Settle tax due

- ▶ Pay outstanding excise tax within 30 days of filing the audited report (latest 3 November 2026).

Businesses must also:

- ▶ Update excise tax registrations to reflect new product categories.
- ▶ Register all products with supporting documentation.
- ▶ Reconfigure ERP systems to integrate excise tax into pricing and accounting.
- ▶ Adjust pricing strategies to remain competitive under the sugar-based tax model.
- ▶ Train staff to understand and implement new compliance requirements.

The compliance window is short and preparation must begin immediately. Businesses should prioritise laboratory testing, product registration and auditor engagement to avoid penalties and ensure smooth transition under the new excise tax regime.



Qatar

INCOME TAX

Enhanced digital services for taxpayers

The General Tax Authority (GTA) in Qatar has introduced several enhancements to its digital services to provide taxpayers with easier access to tax-related information, guidance and online procedures.

The latest improvements cover both the GTA's official website and the Dhareeba tax platform, with the aim of making tax resources more accessible and simplifying certain interactions with the Authority.

New Knowledge Centre

A new Knowledge Centre has been launched on the GTA's website, providing taxpayers with a centralised source of tax-related information and guidance.

The new resource is intended to make it easier for individuals and businesses to locate relevant information and gain a clearer understanding of Qatar's tax rules, requirements and procedures.

Improvements to the Dhareeba calculator

The GTA has also enhanced the calculator available through the Dhareeba platform.

The upgraded tool allows users to calculate capital gains tax and applicable financial penalties, providing a convenient way to estimate certain tax-related amounts online.

Revised tax guidance

Several sections of the GTA website have also been updated to provide taxpayers with more current and accessible information. These include guidance covering:

- ▶ Tax Agreements
- ▶ Capital Gains Tax

The revisions are intended to improve the clarity of information available to taxpayers regarding applicable tax requirements, procedures and obligations.

Online appointment booking

Taxpayers can now also schedule meetings with the General Tax Authority directly through the Dhareeba platform. This provides an additional online option for those who require assistance or wish to communicate with the Authority regarding tax-related matters.

These developments form part of Qatar's continued efforts to expand and improve digital government services. By strengthening its online platforms and resources, the GTA aims to make tax-related services more convenient, efficient and accessible for both individuals and businesses.



Qatar

PILLAR TWO (1/2)

Registration and compliance guidelines for MNE groups

On 2 August 2026, the GTA officially launched the Global Pillar Two registration requirements on the Dhareeba platform and, alongside it, published a detailed guidance on the registration process, compliance obligations and key timelines for in-scope Multinational Enterprises (MNE) groups. This is underpinned by Law No. (22) of 2024, which established Qatar's legislative framework for Global Domestic Minimum Tax under the OECD/G20 Inclusive Framework's Pillar Two rules.

Registration

- ▶ The guidance confirms that for Fiscal Year 2025 i.e. the Transition Year, in-scope MNE groups need to complete their initial registration through the Dhareeba Portal by 2 November 2026.
- ▶ For following fiscal years, 6 months after the end of the relevant fiscal year.

Registration is mandatory even where no Top-Up Tax is expected to arise.

Who must register?

- ▶ MNE groups with consolidated annual revenue of EUR 750 million or more in at least two of the four fiscal years preceding the tested fiscal year and one or more constituent entities, joint ventures or permanent establishments located in Qatar.

- ▶ MNE groups meeting the above revenue thresholds with its Intermediate or Partially-Owned Parent Entities in Qatar.

Pillar two charging mechanisms

Qatar has implemented two charging rules:

- ▶ Domestic Minimum Top-Up Tax (DMTT). This applies to Constituent Entities, Joint Ventures and PEs of in-scope MNEs located in Qatar.
- ▶ Income Inclusion Rule (IIR) which applies where the Ultimate Parent Entity (UPE) meets the revenue thresholds and is located in Qatar or Intermediate Parent Entities or Partially-Owned Parent Entities are located in Qatar (subject to conditions).

Designated local entity

Every in-scope MNE Group must appoint a Designated Local Entity (DLE) to act on behalf of the Group in Qatar. The DLE will be responsible for registration and annual renewal, DMTT return filing, IIR return filing (where applicable), receiving GTA correspondence etc, filing GIR notification and GIR Return (if applicable). Where only one Constituent Entity exists in Qatar, that entity automatically becomes the DLE.

Registration process

- ▶ The DLE must access the Pillar Two registration services through the Dhareeba Tax Portal and complete the online registration form, providing:

- DLE Information - Tax Identification Number (TIN), Tax Regime, legal name and Appointment Declaration (where applicable)
- Ultimate Parent Entity (UPE) Information - legal name, jurisdiction, Tax Identification Number and fiscal year
- Constituent Entity Information - legal name, tax regime, TIN and IIR eligibility
- Designated Filing Entity (DFE) Information - where applicable, details of the entity responsible for filing the GloBE Information Return (GIR)
- ▶ Upload the required supporting documentation, including the Appointment Declaration.
- ▶ Submit the registration application for review by the GTA.

Upon successful registration, the GTA issues a dedicated Pillar Two TIN for the Group through the Dhareeba portal. This allows the relevant Pillar Two services to be activated in the Dhareeba portal, enabling the DLE to access and manage the DMTT return and, where applicable, the IIR return and GIR.

Entities of in-scope MNEs located in QFC, QFZA, QSTP or Media City also need to register.

Qatar

PILLAR TWO (2/2)

Annual registration renewal

Every registered Group must renew its registration annually, within 6 months of each Fiscal Year. Renewal is required even where no Top-Up Tax is payable, Transitional CbCR Safe Harbour applies, the Group expects to fall out of scope or where there are no changes in Group structures during the year.

Enforcement and penalties

The guidance provides for enforced registration by the GTA, of in-scope entities if not voluntarily registered. There is also a penalty of QAR 20,000 for failure to register and several other penal measures.

Compliance timelines

Compliance requirement	Deadline
Registration	3 months from portal activation (for FY2025); 6 months after Fiscal Year-end thereafter
Annual Renewal	6 months after Fiscal Year-end
DMTT Return	15 months after Fiscal Year-end (18 months for the Transition Year)
IIR Return	15 months after Fiscal Year-end (18 months for the Transition Year)
GIR	15 months after Fiscal Year-end (18 months for the Transition Year)
Top-Up Tax Payment	Payable along with the return filing



Saudi Arabia

SPECIAL ECONOMIC ZONES (1/2)

Tax & Customs Newsletter - Special Economic Zones (SEZs)

The Zakat, Tax and Customs Authority (ZATCA) published a procedural guideline in August 2026 clarifying the tax and customs treatment of entities licensed to operate in the Kingdom's Special Economic Zones. The guideline was issued under the Special Economic Zones Regulations approved by Council of Ministers Resolution No. (468) dated 10/07/1447H (30/12/2025). It explains how existing laws apply in the SEZs and does not amend any law or regulation in force. Where ZATCA later updates an explanation without a change in the underlying law, the updated treatment will apply to transactions after the revised guideline is published on ZATCA's website.

The Four Zones

The Economic Cities and Special Economic Zones Authority (ECZA) has launched four SEZs: King Abdullah Economic City (KAEC), Ras Al-Khair, Jazan, and the Cloud Computing SEZ. The first three are geographically defined and share the same incentive package. The Cloud Computing SEZ is not tied to one location; it is headquartered in Riyadh, and licensed entities may operate data centres anywhere in the Kingdom.

Qualifying activities differ by zone. KAEC covers manufacturing (including packaging, pharmaceuticals, medical devices, geochemistry, FMCG and automotive),

logistics and construction. Ras Al-Khair covers shipbuilding and maritime industries, offshore rig building and maritime services. Jazan covers food processing, metal conversion and logistics. The Cloud Computing SEZ covers cloud and informatics services, including IT and programming, fintech, Industry 4.0, digital health and smart mobility. In each zone, further activities may be added by decision.

Key incentives in KAEC, Ras Al-Khair and Jazan

Income tax: Income from qualifying activities is taxed at 5% for 20 years, instead of the standard 20%. Income from non-qualifying activities remains taxable at 20% and must be calculated separately. Where profits cannot be separated, the 20% base is calculated as the entity's tax base multiplied by non-qualifying income over total income. The incentive will be reviewed once the Global Minimum Tax (Pillar Two) rules apply in the Kingdom. Carried-forward losses may still be deducted up to 25% of annual profit.

Withholding tax: Licensed entities are exempt from withholding and remitting tax on payments to non-residents. For example, dividends paid by an SEZ subsidiary to its foreign parent attract no withholding tax, provided they relate to qualifying activities, whereas a mainland subsidiary would withhold 5%. ZATCA may still assess withholding tax where the exemption is used for evasion or avoidance. An annual withholding tax statement remains mandatory.

VAT: Supplies of goods related to qualifying activities within the same SEZ, between SEZs, and from the mainland into an SEZ are zero-rated, provided the goods are under customs suspension. Goods imported from outside the Kingdom into an SEZ under the same conditions are outside the scope of VAT. Goods moved from an SEZ into the mainland are treated as imports, and VAT and customs duties are due on release. Services follow the normal mainland VAT rules, with zero-rating available for services to customers resident outside the Kingdom.

Customs duties: Duties and VAT are suspended on goods for qualifying activities, with no time limit on the suspension. Goods re-exported from the SEZ are not charged duties. When goods enter the local market, duties apply at the tariff in force on the date the exit declaration is registered, even where the final product contains local components.

Saudi Arabia

SPECIAL ECONOMIC ZONES (2/2)

Compliance obligations remain

The incentives do not remove the standard filing obligations. Licensed entities must:

- ▶ Register for tax on the basis of their ECZA licence. A mainland branch of an SEZ entity registers separately, receives its own Tax Identification Number and does not benefit from SEZ incentives.
- ▶ Register for VAT if taxable supplies exceed SAR 375,000. Entities whose supplies are entirely zero-rated are exempt from mandatory registration but may register voluntarily to recover input tax. They must keep records proving their supplies qualify.
- ▶ File the annual income tax return, and pay any tax due, within 120 days of the year end, even when incentives apply. The annual withholding tax statement and transfer pricing documentation (Master File, Local File and, where applicable, Country-by-Country Report) are due on the same timeline.
- ▶ File VAT returns monthly if annual taxable supplies exceed SAR 40 million, otherwise quarterly, by the last day of the following month. Zero-rated supplies to, within or between SEZs are reported in Box 4 (Exports), and zero-rated purchases from the mainland in Box 10. VAT credit refunds may be claimed within five years, and e-invoicing rules apply.
- ▶ Submit a customs declaration for all goods entering or leaving an SEZ, including transfers between zones, ownership transfers, maintenance movements and the removal of waste and scrap.
- ▶ Maintain an auditable electronic inventory system linked to ZATCA. A six-month transitional period runs from the guideline's effective date, during which records must be provided on request. Monthly inventory reconciliations, consumption lists and manufacturing reports are also required.

Other taxes continue to apply as on the mainland, including Real Estate Transaction Tax at 5% and Excise Tax. Violations of the tax or customs laws carry the penalties set out in those laws, and licensed entities bear the burden of proving how goods were consumed or disposed of.

Cloud Computing SEZ: A different model

The Cloud Computing SEZ does not offer the reduced income tax rate or the withholding tax exemption. Income tax applies at 20%, withholding tax applies at the standard rates (for example, 20% on management fees, 15% on royalties and 5% on dividends), and VAT follows mainland rules. Instead, the zone offers special treatment grounded in international tax practice:

Payments to related parties are classified under OECD principles. For example, software licence payments that ZATCA would treat as royalties on the mainland may be treated as business profits, which may remove them from withholding tax in the Kingdom.

OECD Commentary guidance applies to permanent establishments for residents of treaty countries, and storing or using data in Kingdom data centres will not by itself create a virtual permanent establishment.

Treaty disputes may be resolved through the Mutual Agreement Procedure, and expenses paid to related parties are deductible where they comply with the Transfer Pricing Bylaws.

These treatments are also subject to the Global Minimum Tax (Pillar Two) rules once they apply in the Kingdom.

What this means for businesses

The SEZs offer significant tax and customs savings, but only for qualifying activities, goods kept under customs suspension, and entities that keep thorough records. Businesses already operating in, or considering, an SEZ should confirm their activities qualify, separate qualifying from non-qualifying income, put compliant inventory systems in place before the six-month transitional period ends, and review cross-border payment flows. For case-specific questions, ZATCA invites taxpayers to request an interpretive ruling through its website (zatca.gov.sa).

Saudi Arabia

TAX AMNESTY

Penalty-relief initiative extended to 31 December 2026

As reported in last quarter's newsletter, ZATCA announced on 29 June 2026 that the Minister of Finance approved an extension of the Cancellation of Fines and Exemption of Financial Penalties Initiative for an additional six months, effective from 1 July 2026 to 31 December 2026. Subject to its conditions, relief may cover certain late registration, filing and payment penalties and penalties for correcting VAT returns. The underlying tax remains payable, although an approved instalment plan may be available. Exclusions include tax-evasion penalties, penalties under Article 45 of the VAT Law, penalties already paid before the initiative commenced, and penalties linked to returns due after 30 June 2026. The extension was announced in Q2 and is noted here because the relief window is now in effect.

BDO comments

Groups with historic exposures should reconcile ZATCA assessments, outstanding returns and ledger balances by taxpayer, separate principal tax from potentially eligible penalties, and address any corrective filings or payment arrangements before the deadline. Relief is most useful when it leaves a defensible compliance position, not simply a lower historic penalty balance.



Saudi Arabia

VALUE ADDED TAX

E-invoicing: integration Wave 25

On 24 July 2026, ZATCA announced that Wave 25 of Phase Two e-invoicing integration covers taxpayers whose VAT-taxable revenue exceeded SAR 187,500 in any of 2022-2025. Selected taxpayers will be notified and must integrate with the Fatoora platform by 1 February 2027.

BDO comments

Affected businesses should confirm notification and integration responsibilities with their software providers, then test invoice data, credit notes and exception handling before the deadline. For larger groups with smaller subsidiaries or newly acquired entities, the threshold should be assessed by the relevant taxpayer rather than assumed from group size.



Saudi Arabia

REAL ESTATE TRANSACTION TAX

Additional time to document historical property transactions

Council of Ministers Decision No. 206, published on 14 August 2026, extended by one Hijri year the period for regularising certain undocumented real estate transactions. The extension begins on 12 Shawwal 1447H and applies to the transitional provision in paragraph Fourth(1) of Royal Decree No. M/84, concerning transactions undertaken before Real Estate Transaction Tax (RETT) took effect on 4 October 2020. It should not be read as a general extension of every transitional provision or as an exemption for new property transfers.

BDO comments

Property-owning groups, family businesses and developers should identify pre-RETT transfers that remain undocumented, establish the original transaction date and gather evidence acceptable to the relevant authorities. In particular, the separate relief concerning a partner's transfer of property into a company is addressed in paragraph Fourth(2) of the Royal Decree; Decision No. 206 expressly extends paragraph Fourth(1), not Fourth(2). Any exemption claim should therefore be assessed on its own legal conditions rather than inferred from the new deadline.



Saudi Arabia

ANNUAL DISCLOSURE FOR REGIONAL HEADQUARTERS (RHQs) economic substance (ESR) REQUIREMENTS

ZATCA has launched an electronic Annual Disclosure Form for RHQs, effective from 23 August 2026, available through the ZATCA portal.

This form is to be completed annually by each entity licensed to operate as a Regional Headquarters (RHQ). Complete every Part, enter "N/A" where an item does not apply, and attach supporting documents where indicated. Amounts should be stated in the reporting currency shown in financial information. The form must be signed by an authorised signatory of the RHQ.



United Arab Emirates

CORPORATE TAX (1/2)

Additional compliance procedures for Qualifying Free Zone Persons (QFZP) distribution activities

With effect from the tax period commencing 1 January 2026, FTA Decision No. 6 of 2026 on Determining the Additional Procedures for the Compliance of QFZP introduces a new evidentiary compliance framework for QFZPs engaged in the Qualifying Activity of distributing goods or materials in or from a Designated Zone.

Under the Decision, the affected QFZPs are required to obtain an Agreed-Upon Procedures (AUP) report from an independent external auditor, or another independent auditor licensed in the UAE, prepared in accordance with ISRS 4400 (Agreed-Upon Procedures Engagements). The purpose of the AUP engagement is to provide factual verification of key conditions underpinning the distribution activity qualifying for the Free Zone Corporate Tax regime, namely,

- ▶ the QFZP supplies goods or materials to customers that resell the goods or materials, or process or alter them for sale or resale; and
- ▶ goods or materials imported into the UAE by the QFZP have entered through a Designated Zone.

The Decision prescribes the categories of evidence expected to support these findings, including customer trade licences, customer declarations or confirmations, executed sales agreements, invoices, purchase orders, customs and import documentation, bills of lading or equivalent transport documents and internal inventory or logistics records.

In addition, the Decision establishes a prescribed sampling methodology, including a 10% margin of error and requires the AUP report to clearly document the procedures performed, samples selected, evidence examined and factual findings reached. The AUP report must be submitted to the FTA within 30 days following the Corporate Tax return filing deadline, unless an alternative deadline is specified by the FTA. If the report is not submitted, the conditions to claim the QFZP status is lost for the tax period and consequently, the next four years.

BDO comments

- ▶ **Documentation readiness:** Maintain contemporaneous evidence throughout the year, including customer reseller documentation and Designated Zone import records, rather than compiling support retrospectively or as a year-end exercise.
- ▶ **Management accountability:** While the AUP report is evidentiary in nature and does not replace management's responsibility to assess and demonstrate continued compliance with all QFZP conditions.
- ▶ **Periodic compliance reviews:** Undertake periodic readiness reviews or health checks to identify documentation gaps early and mitigate the risk of adverse findings during the AUP engagement.
- ▶ **Early remediation of gaps:** Proactively address any compliance gaps well in advance of reporting deadlines, as deficiencies in evidentiary support may jeopardise access to the QFZP regime.
- ▶ **Timely eligibility assessment:** Assess QFZP eligibility before the Corporate Tax return filing deadline, notwithstanding that the AUP report may be submitted at a later date.

The Decision reflects the global shift towards substance-based taxation, where preferential tax treatment must be supported by demonstrable economic activity. The introduction of mandatory AUP reporting reinforces the UAE's commitment to maintaining an internationally credible Free Zone regime by requiring taxpayers to evidence, through objective and verifiable documentation, that qualifying distribution activities have genuine commercial substance and economic nexus.

United Arab Emirates

CORPORATE TAX (2/2)

Small Business Relief extended to 2029

Small Business Relief (SBR) allows eligible UAE resident taxpayers who are not a QFZP or a member of a Multinational Enterprise (MNE) Group with revenue not exceeding AED 3 million to be treated as having no Taxable Income for the relevant Tax Period. The eligible businesses must still register for Corporate Tax and file an annual Corporate Tax return.

The SBR is extended to 31 December 2029 from 31 December 2026.

BDO comments

This update gives micro, small and medium enterprises more time to manage their tax duties without extra financial pressure.

Corporate Tax treatment of Additional Tier 1 (AT1) payments by banks

A clarification has been issued on the UAE Corporate Tax treatment of payments made by banks on AT1 instruments, which form part of a bank's regulatory capital framework. It reinforces the principle that Corporate Tax is determined by reference to Accounting Income, subject to specific adjustments prescribed under the Corporate Tax regime.

Accordingly, where AT1 instruments are classified as equity under IFRS and the related coupon or distribution payments are recognised directly in equity rather than through profit or loss, such amounts fall outside Accounting Income and are not deductible for Corporate Tax purposes.

The clarification underscores the FTA's view that the accounting treatment of AT1 instruments is a key determinant of their tax treatment, notwithstanding that such payments may be viewed commercially as a cost of funding or regulatory capital.

BDO comments

- ▶ **Accounting and tax alignment:** Banks should ensure consistency between the accounting treatment of AT1 instruments and their Corporate Tax computations, particularly where payments bypass the statement of profit or loss.
- ▶ **Form over economic characterisation:** The clarification highlights the importance of substance reflected in financial reporting, rather than the economic characterisation of the instrument, when determining deductibility.
- ▶ **Limited scope of the clarification:** The scope of the clarification is limited to issuing banks and does not address the tax treatment applicable to investors or holders of AT1 instruments.

Corporate Tax - key deadlines for 2026

Tax returns are generally due within nine months of the end of the relevant Tax Period.

- ▶ **30 September 2026:** CT return due for businesses with a financial year ending 31 December 2025. This is the largest filing cohort - the majority of UAE businesses.
- ▶ **31 December 2026:** CT return due for businesses with a financial year ending 31 March 2026.

United Arab Emirates

DOMESTIC MINIMUM TOP-UP TAX (1/5)

The FTA published two detailed Top-up Tax Guides in August 2026 that provide important practical guidance on the scope, registration and treatment of Excluded Entities and Investment Entities under the UAE Domestic Minimum Top-up Tax (DMTT) framework.

Scope and registration

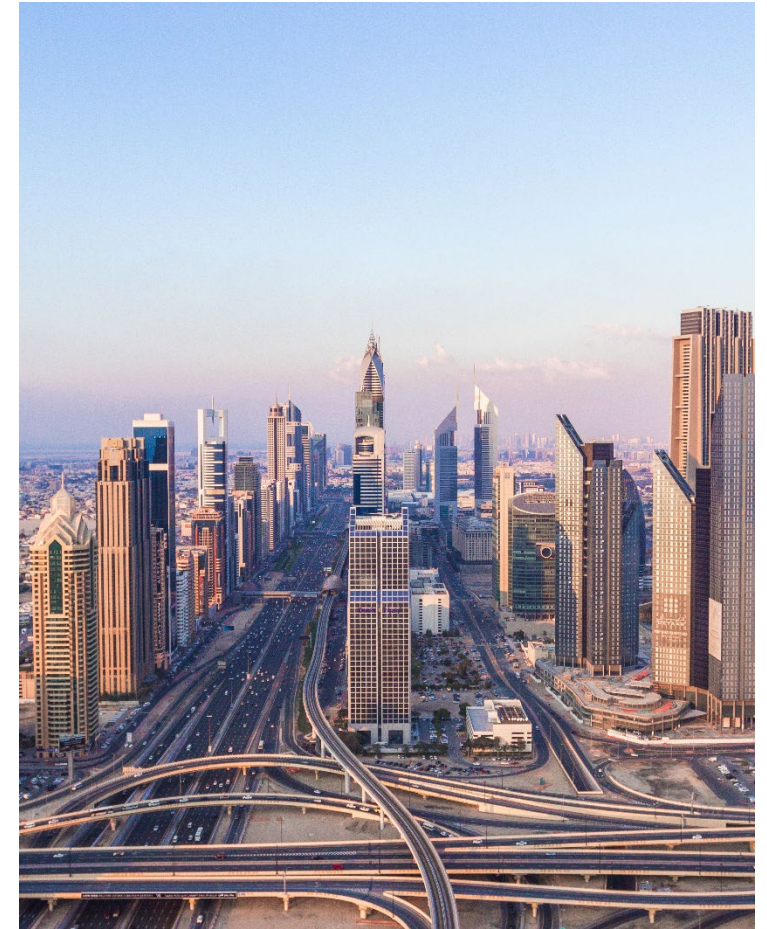
The Scope and Registration Guide issued in August 2026 explains how an MNE Group determines whether it falls within the UAE QDMTT framework and how relevant UAE entities should register. The Guidance provides detailed clarification on the scope and application of the Pillar Two regime, including the MNE Group qualification criteria, the EUR 750 million consolidated revenue threshold, the treatment of Constituent Entities, Permanent Establishments, Joint Ventures, flow-through and hybrid entities, as well as the rules applicable to Excluded Entities and Investment Entities. It also addresses key compliance requirements, including registration obligations and the operation of the Domestic Designated Filing Entity (DDFE) mechanism.

Determining whether the MNE Group is in scope

The assessment begins at the group level by determining whether the arrangement constitutes an MNE Group and identifying the Ultimate Parent Entity (UPE). The guide then outlines the application of the consolidated revenue threshold, which is assessed by reference to the group's consolidated financial statements. It also provides clarification on a range of practical scenarios, including newly established groups, non-standard Fiscal Years, currency conversion considerations and the treatment of mergers and demergers when evaluating whether the threshold has been met.

A MNE group requires two or more entities meeting the definition of a group, whether consolidated or deemed consolidated, operating through at least one entity or Permanent Establishment located outside the jurisdiction of its UPE; a purely domestic UAE group falls outside the QDMTT legislation regardless of revenue.

A sovereign wealth fund that meets the definition of a governmental entity may itself not be a UPE. In that case, the UPE role passes to the entity in which the fund holds a direct Controlling Interest.



United Arab Emirates

DOMESTIC MINIMUM TOP-UP TAX (2/5)

Registration

Once an MNE Group is in scope of the QDMTT Legislation (Section 2), each of its UAE Constituent Entities, Joint Ventures and its Joint Venture subsidiaries, that are subject to top-up tax must register with the FTA. This section sets out the two available registration routes and rules for choosing the appropriate route.

Excluded Entities, Investment Entities, Stateless Permanent Establishments and Stateless Tax Transparent Entities are not subject to Top-up Tax and, therefore, are not required to obtain registration under QDMTT Legislation.

The two registration routes: Entity-by-Entity approach or domestic designated filing entity approach

	Entity-by-Entity approach	Domestic Designated Filing Entity (DDFE) approach
Registration	Each in-scope entity registers separately.	One appointed member registers on behalf of the Domestic Group.
Tax Registration Number (TRN)	One TRN issued to each entity.	One TRN issued to each entity, plus a separate group-level TRN issued to the DDFE.
Top-up Tax Return	Each entity files its own Top-up Tax Return.	The DDFE files a single Top-up Tax Return for the Domestic Group.
Payment of Top-up Tax	Each entity pays its own Top-up Tax liability, where applicable.	The DDFE is responsible for payment of the Top-up Tax liability.
Compliance Burden	Higher, due to multiple registrations, filings and payments.	Lower, through centralised registration, filing and payment.
Administrative Efficiency	Decentralised compliance process.	Streamlined and coordinated group-level compliance process.



United Arab Emirates

DOMESTIC MINIMUM TOP-UP TAX (3/5)

QDMTT registration and deregistration of timelines

	Deadline
Registration	Fiscal Year ends before 30 April 2026 - Registration by 30 November 2026 All other cases - Within 7 months of the end of the first Fiscal Year in which the entity falls in scope
Deregistration	Within 6 months of the earliest of: the date the entity ceases to exist, or the end of the Fiscal Year in which it leaves an in-scope MNE Group. <i>Transitionally, an entity that ceased to exist before 30 June 2026 must deregister by 31 December 2026.</i>
Out-of-scope notification	Within 6 months of the end of the fiscal year in which the MNE group ceases to be in scope Notification remains valid for that fiscal year and the following four consecutive fiscal years.
In-scope notification (group becomes in scope again during a valid out-of-scope notification)	Within 7 months of the end of the fiscal year in which the group becomes in scope again
Deregistration after five consecutive out-of-scope fiscal years	Within 6 months of the end of the fifth consecutive Fiscal Year covered by a valid out-of-scope notification, unless an in-scope notification is required.



United Arab Emirates

DOMESTIC MINIMUM TOP-UP TAX (4/5)

Administrative penalties for failure to submit a registration application

One entity failing to submit the registration application within prescribed timeline - Penalty of AED 10,000

A DDFE failing to submit a registration application for one or more members of the group it represents - AED 10,000 plus AED 10,000 for each entity under the DDFE approach

BDO comments

Taxpayers should consider the following:

- ▶ **Assess Scope Early:** Groups should proactively assess whether they fall within the scope of the UAE QDMTT regime, particularly where the MNE Group meets the EUR 750 million consolidated revenue threshold.
- ▶ **Determine the Appropriate Compliance Model:** In-scope groups should evaluate their registration obligations at an early stage and determine the most appropriate registration approach, including whether compliance will be managed through individual registrations or a DDFE.
- ▶ **Prepare for Registration and Filing Obligations:** With registration deadlines approaching and filing requirements commencing in 2027, groups should ensure that their scope assessments remain current and are supported by appropriate documentation.
- ▶ **Adopt a Proactive Compliance Strategy:** A proactive compliance strategy, combined with ongoing monitoring of further guidance issued by the FTA, will help mitigate the risk of non-compliance, administrative penalties and operational challenges.

Excluded entities

The FTA has issued guidance clarifying the scope of entities that may qualify as Excluded Entities under the QDMTT Legislation and providing further insight into the treatment of Investment Entities, including their classification, treatment within the Pillar Two framework and associated compliance obligations.

One of its most important practical messages is that an Excluded Entity under QDMTT is not the same as an Exempt Person under UAE Corporate Tax. A taxpayer must independently assess whether the entity is Excluded entity under the QDMTT Legislation.

Primary Excluded Entities

The guide identifies six categories of primary Excluded Entities:

- ▶ Governmental Entities,
- ▶ International Organisations,
- ▶ Non-profit Organisations,
- ▶ Pension Funds,
- ▶ Investment Funds that are the UPE of an MNE Group,
- ▶ Real Estate Investment Vehicles that are the UPE of an MNE Group.

United Arab Emirates

DOMESTIC MINIMUM TOP-UP TAX (5/5)

Secondary Excluded Entities

Entities owned by primary Excluded Entities (other than a Pension Services Entity) that meet one of the following:

- ▶ At least 95% is owned by value (directly or through a chain of Excluded Entities), where the entity exists almost entirely to hold assets or invest funds for the primary Excluded Entities and/or only carries out ancillary activities.
- ▶ At least 85% is owned by value (directly or through a chain), where substantially all of the entity's income is Excluded Dividends or Excluded Equity Gains or Losses that are left out of the Pillar Two income or loss.

Importantly, the Guidance clarifies that a Secondary Excluded Entity may elect not to be treated as an excluded entity. This is a Five-Year Election.

Practical impact of Excluded Entity

- ▶ Not subject to UAE QDMTT: Excluded Entities and UAE Investment Entities are generally outside the QDMTT charging provisions.
- ▶ Revenue remains relevant for the EUR 750 million threshold: The revenue of both Excluded Entities and Investment Entities is generally included when assessing whether the MNE Group meets the consolidated revenue threshold for Pillar Two purposes.
- ▶ Limited compliance obligations: Excluded Entities and Investment Entities are not required to register for Top-up Tax, file a Top-up Tax Return or submit a Pillar Two Information Return. However, information relating to such entities may still need to be included in the MNE Group's Pillar Two Information Return for group structure reporting purposes.
- ▶ Different treatment in Pillar Two calculations: As a consequence of its excluded status, an Excluded Entity is generally carved out of the QDMTT computation framework, with its profits, losses, accrued taxes, tangible assets and payroll costs disregarded for Pillar Two purposes.

QDMTT deadlines for 2026

With the UAE QDMTT Legislation regime now in force for Fiscal Years beginning on or after 1 January 2025, in-scope Multinational Enterprise (MNE) Groups should focus on timely registration, scoping assessments and data readiness during 2026.

- ▶ **30 November 2026:** QDMTT Registration due for entity whose fiscal year ends before 30 April 2026
- ▶ **31 December 2026:** An entity that ceased to exist before 30 June 2026 must deregister from QDMTT
- ▶ **From Quarter 4 of 2026:** An entity can file the Private Clarification with respect to QDMTT Legislation from Q4 onwards. However, if Private Clarification relates to registration under QDMTT Legislation, they can be filed in Q3 of 2026.



United Arab Emirates

VALUE ADDED TAX (1/6)

Mandatory supplier and supply verification before input VAT deduction

The FTA has issued Decision No. 13 of 2026 setting out the measures, procedures and conditions that Taxable Persons must follow to verify the validity and integrity of supplies before deducting input tax. The Decision was issued on 22 July 2026 and takes effect from 1 October 2026.

The Decision gives practical effect to Article 54 of the UAE VAT Law. Under this provision, the FTA may reject input tax recovery where a supply, or a chain of supplies, is connected with tax evasion and the Taxable Person knew, or should have known, of that connection.

- ▶ **Supplier and supply verification:** Taxable Persons must verify the identity, legal status and place of business of suppliers and consider risk indicators such as frequent changes in address or key personnel, or transactions inconsistent with the supplier's business profile. Each taxable supply must be reviewed for commercial rationale, pricing, payment terms, supplier licensing and, where relevant, the authenticity, origin and ownership of goods.
- ▶ **Enhanced checks:** Where supplies from a supplier exceed, or are expected to exceed, AED 375,000 over a 12-month period, businesses must obtain confirmation of the supplier's UAE bank account and review reliable publicly available information on the supplier.

- ▶ **Payment and records:** Electronic payment is expected as the normal method of settlement. Cash payments, third-party payment arrangements and payments to overseas accounts should be commercially justified and documented. Businesses must retain verification evidence and maintain a written policy setting out responsibility for the relevant procedures.
- ▶ **Exception for low-value supplies:** The verification requirements do not generally apply where the consideration for a supply is below AED 10,000, excluding VAT. This exception is not available where supplies from the same supplier exceed, or are expected to exceed, AED 100,000 over a 12-month period.

BDO comments

The Decision introduces a more formal due diligence requirement for input-tax recovery. Businesses should review supplier onboarding, procurement, payment approval and accounts-payable procedures before 1 October 2026, particularly for high-value suppliers, intermediaries and non-standard payment arrangements.



United Arab Emirates

VALUE ADDED TAX (2/6)

VAT Directives on key transactions

The FTA has issued five Directives on Tax Transactions, providing targeted directions on the VAT treatment of specific transactions and compliance matters.

Directive	Subject	VAT Implication
Directive No. 1 of 2026	Judicial Expert Services	Services provided by court-appointed Judicial Experts are treated as taxable supplies made in the course of business. This applies irrespective of whether the fees are paid by the court, a Government Entity or another party.
Directive No. 2 of 2026	VAT adjustments following a Tax Group exit	Effective from 1 August 2026, where a supply or expense was originally included in a Tax Group VAT return, any subsequent output tax or input tax adjustment must be reported by the former member in its own VAT return, provided it remains VAT registered.
Directive No. 3 of 2026	Digital currency transactions	Consideration received in digital currency must be converted into UAE Dirhams using the arithmetic average of exchange rates quoted by three FTA-approved exchange platforms. The same platforms must be used consistently throughout the calendar year, with supporting evidence retained.
Directive No. 4 of 2026	Life insurance and life reinsurance charges	Fees and charges may be treated as part of the exempt life insurance or life reinsurance supply where they are necessary for and directly connected with, the insurance contract. The charges must be included within the insurance premium and not billed separately.
Directive No. 5 of 2026	Valuation of deemed supplies of services	The value of a deemed supply of services is based on the direct and indirect costs that gave rise to input tax recovery. The calculation should take into account the open-market value, exclude the relevant profit margin and apply the proportion of costs on which input tax was incurred.

BDO comments

The Directives provide greater certainty in areas where the VAT treatment can depend on detailed facts and transaction flows. Affected businesses should review existing practices, contractual terms, pricing arrangements, VAT reporting and supporting documentation to ensure alignment with the FTA’s position.



United Arab Emirates

VALUE ADDED TAX (3/6)

VAT Public Clarifications on Accounting for Output Tax, issuing Tax Invoices and Input Tax recovery for Concerned Goods

The FTA has issued VAT Public Clarification VATP045 on the accounting for output tax, tax invoicing and input tax recovery in respect of “Concerned Goods” imported into the UAE. The clarification applies to Concerned Goods imported on or before 31 December 2025, following the removal of the self-invoicing requirement from 1 January 2026.

For pre-2026 imports, the recipient is generally required to account for output VAT and, subject to the applicable conditions, may recover the related input VAT. Importantly, the FTA confirms that a self-issued tax invoice is not required where the taxpayer retains the overseas supplier’s invoice and the relevant Emirate Customs declaration and ensures that the correct VAT amount is reported in its VAT return.

BDO comments

Businesses should review their historical imports and supporting documentation to ensure that VAT accounting and input tax recovery positions are appropriately supported.

Updated VAT Guide for the Education Sector

The FTA has published an updated VAT Guide for the education sector, providing guidance on the VAT treatment of educational services and related supplies. The Guide confirms that zero-rating applies only where the conditions for a qualifying educational institution and qualifying curriculum are satisfied and that these provisions are interpreted narrowly.

The Guide also provides practical guidance on related goods and services, application and registration fees, field trips, extracurricular activities, accommodation, distance learning and electronic services, as well as grants, scholarships and third-party funding. In particular, the VAT treatment of distance learning depends on the nature and degree of human intervention, which can affect both the classification and place of supply.

BDO comments

Educational institutions should assess their ancillary revenue streams, online learning models and input VAT recovery methodology to ensure that their VAT treatment remains aligned with the FTA’s latest guidance.

Tourist VAT Refund Scheme - updated rules

The FTA has updated Federal Tax Authority Decision No. 2 of 2018 on the Tax Refunds for Tourists Scheme. The latest amendment, FTA Decision No. 11 of 2026, is effective from 12 July 2026 and reduces the fixed fee deducted from a tourist VAT refund claim to AED 3.60.

The existing framework continues to require eligible tourists to export the goods from the UAE within 90 days. The minimum tax-inclusive purchase value for a refund claim remains AED 250, while the cash refund is capped at AED 35,000 per tourist per 24 hours. The administrative fee remains 13% of the VAT amount refunded.

BDO comments

Retailers participating in the Tax Refunds for Tourists Scheme should update their customer-facing processes and systems to reflect the revised fixed fee.

United Arab Emirates

VALUE ADDED TAX (4/6)

VATP046 - FTA clarifies seven practical VAT positions

VAT Public Clarification VATP046 provides practical clarity on several VAT amendments introduced through the recent changes to the UAE VAT legislation. Among the key areas addressed are:

- ▶ **Fixed Establishment:** A foreign business may have a UAE fixed establishment even where it does not own or lease UAE premises, depending on the presence of employees and resources.
- ▶ **Reverse charge imports:** From 1 January 2026, taxpayers are no longer required to self-issue tax invoices for Concerned Goods or Concerned Services imported on or after that date.
- ▶ **Electronic invoices:** An electronically issued invoice does not automatically qualify as a valid Tax Invoice; the applicable content, format and retention requirements must still be met.
- ▶ **VAT penalties:** Failure to issue tax invoices or credit notes within the prescribed timeframe may result in administrative penalties, including under the electronic invoicing framework.
- ▶ **VAT credit balances:** A five-year period applies for requesting a refund of excess recoverable tax, calculated from the end of the relevant tax period.

- ▶ **Input VAT recovery:** A valid tax invoice alone may not be sufficient where the supply chain is connected with tax evasion and the taxpayer knew or should have known of the connection.
- ▶ **Statute of limitation:** The separate VAT-law limitation provision has been repealed, with limitation rules now addressed under the Tax Procedures Law.

BDO comments

Businesses should revisit their VAT positions, particularly around fixed establishment, supplier due diligence, input VAT recovery, electronic invoicing, documentation and accumulated VAT credit balances.



United Arab Emirates

VALUE ADDED TAX (5/6)

Amendments to the VAT Executive Regulation

The UAE Ministry of Finance has issued Cabinet Decision No. 149 of 2026, introducing further amendments to the Executive Regulation of the UAE VAT Law. The amendments provide further clarity on the application of the UAE VAT law for the businesses. Most amendments will take effect from 1 October 2026. The revised input tax apportionment methodology will apply from the first tax year commencing after 1 October 2027.

Amendment area	Key change
Composite supplies	New - Article 4(6): A supply with more than one component cannot be treated as multiple supplies where its nature and economic substance show that the components are interconnected and cannot be separated. The supply is treated as a single composite supply and follows the VAT treatment of its principal component.
Profit margin scheme	Amended - Article 29(5): The “purchase price” includes costs and fees incurred to purchase the goods, where input tax on those costs or fees is not recoverable.
Healthcare-related goods	Amended - Article 41(4): Separate provisions for pharmaceutical products and medical equipment supplied with zero-rated healthcare services have been combined into one clause and termed as “medical product”. The zero-rating applies to medical products specified in a Cabinet Decision and to other goods supplied while providing zero-rated healthcare services where necessary for those services.
Financial services	Amended - Article 52(2): The period for treating a recipient of qualifying financial services as being outside the State has been changed from less than one month to less than 30 days, aligning the provision with Article 31(2) on exported services. The recipient’s presence in the UAE must also not be effectively connected with the supply for zero-rating to apply.
Employee-related expenses	Amended - Article 53(1)(c)(1)-(3): Employee accommodation is recoverable only where mandated under a MoHRE decision or directive. Recovery for contractual or policy-based benefits remains subject to applicable labour laws and FTA conditions, while health insurance, including enhanced health insurance, is recoverable for employees and their eligible family members - limited to one spouse and up to three children under 18 years of age.
Cash payments	New - Article 54(3): Input tax may not be recovered on supplies exceeding a threshold set by the Minister where the consideration is paid, or intended to be paid, in cash, subject to the controls specified in that decision.
Input tax apportionment	Amended - Article 55(6)(a)-(d) and Article 55(7)(a)-(d): From the first tax year commencing after 1 October 2027, residual input tax for most businesses will be calculated using an output-based percentage, based on supplies specified in Article 54(1) of the VAT Law as a proportion of total supplies. Supplies of attributable capital assets and concerned goods and services received subject to reverse charge mechanism under Article 48 of the VAT Law are excluded from the calculation. New - Article 55(19)(a)-(c): Government entities and charities will apply a separate input tax-based methodology, comparing recoverable input tax under Articles 54(1) and 57 of the VAT Law with total recoverable and non-recoverable input tax for the tax period.
Capital Assets Scheme	Amended – Article 57(1): The definition now expressly requires the AED 5 million threshold to be measured excluding VAT, requires VAT to be payable on the asset and confirms the estimated useful-life thresholds: at least 10 years for buildings or parts of buildings and at least five years for other capital assets.
Tax credit notes	Amended – Article 60(1)(a): The provision has been corrected to require the words “Tax Credit Note” to be clearly displayed on the credit note, rather than on the invoice.

United Arab Emirates

VALUE ADDED TAX (6/6)

BDO comments

Businesses should assess the VAT treatment of bundled supplies, healthcare-related goods, qualifying financial services and employee-related expenses. The review should cover profit margin calculations, where the profit margin scheme is applied, as well as HR policies, employee accommodation and health-insurance arrangements and the documentation supporting input tax recovery.

Financial institutions, insurers, real estate businesses, healthcare providers, hospitality businesses, retailers and diversified groups may be particularly affected. These businesses should review the VAT positions adopted across their transactions, systems and supporting documentation. Businesses making both taxable and exempt supplies should also assess the potential impact of the revised input tax apportionment methodology ahead of its application date.



United Arab Emirates

VALUE ADDED TAX (5/6)

Amendments to the VAT Executive Regulation

The UAE Ministry of Finance has issued Cabinet Decision No. 149 of 2026, introducing further amendments to the Executive Regulation of the UAE VAT Law. The amendments provide further clarity on the application of the UAE VAT law for the businesses. Most amendments will take effect from 1 October 2026. The revised input tax apportionment methodology will apply from the first tax year commencing after 1 October 2027.

BDO comments

Businesses should assess the VAT treatment of bundled supplies, healthcare-related goods, qualifying financial services and employee-related expenses. The review should cover profit margin calculations, where the profit margin scheme is applied, as well as HR policies, employee accommodation and health-insurance arrangements and the documentation supporting input tax recovery.

Financial institutions, insurers, real estate businesses, healthcare providers, hospitality businesses, retailers and diversified groups may be particularly affected. These businesses should review the VAT positions adopted across their transactions, systems and supporting documentation. Businesses making both taxable and exempt supplies should also assess the potential impact of the revised input tax apportionment methodology ahead of its application date.



United Arab Emirates

VALUE ADDED TAX (6/6)

Amendment area	Key change
Composite supplies	New - Article 4(6): A supply with more than one component cannot be treated as multiple supplies where its nature and economic substance show that the components are interconnected and cannot be separated. The supply is treated as a single composite supply and follows the VAT treatment of its principal component.
Profit margin scheme	Amended - Article 29(5): The “purchase price” includes costs and fees incurred to purchase the goods, where input tax on those costs or fees is not recoverable.
Healthcare-related goods	Amended - Article 41(4): Separate provisions for pharmaceutical products and medical equipment supplied with zero-rated healthcare services have been combined into one clause and termed as “medical product”. The zero-rating applies to medical products specified in a Cabinet Decision and to other goods supplied while providing zero-rated healthcare services where necessary for those services.
Financial services	Amended - Article 52(2): The period for treating a recipient of qualifying financial services as being outside the State has been changed from less than one month to less than 30 days, aligning the provision with Article 31(2) on exported services. The recipient’s presence in the UAE must also not be effectively connected with the supply for zero-rating to apply.
Employee-related expenses	Amended - Article 53(1)(c)(1)-(3): Employee accommodation is recoverable only where mandated under a MoHRE decision or directive. Recovery for contractual or policy-based benefits remains subject to applicable labour laws and FTA conditions, while health insurance, including enhanced health insurance, is recoverable for employees and their eligible family members - limited to one spouse and up to three children under 18 years of age.
Cash payments	New - Article 54(3): Input tax may not be recovered on supplies exceeding a threshold set by the Minister where the consideration is paid, or intended to be paid, in cash, subject to the controls specified in that decision.
Input tax apportionment	Amended - Article 55(6)(a)-(d) and Article 55(7)(a)-(d): From the first tax year commencing after 1 October 2027, residual input tax for most businesses will be calculated using an output-based percentage, based on supplies specified in Article 54(1) of the VAT Law as a proportion of total supplies. Supplies of attributable capital assets and concerned goods and services received subject to reverse charge mechanism under Article 48 of the VAT Law are excluded from the calculation. New - Article 55(19)(a)-(c): Government entities and charities will apply a separate input tax-based methodology, comparing recoverable input tax under Articles 54(1) and 57 of the VAT Law with total recoverable and non-recoverable input tax for the tax period.
Capital Assets Scheme	Amended – Article 57(1): The definition now expressly requires the AED 5 million threshold to be measured excluding VAT, requires VAT to be payable on the asset and confirms the estimated useful-life thresholds: at least 10 years for buildings or parts of buildings and at least five years for other capital assets.
Tax credit notes	Amended – Article 60(1)(a): The provision has been corrected to require the words “Tax Credit Note” to be clearly displayed on the credit note, rather than on the invoice.

United Arab Emirates

CUSTOMS AND TRADE (1/2)

Dubai Customs trade facilitation measures

Dubai Customs has introduced several temporary measures to support trade flows and provide additional flexibility during the current operational challenges. The measures cover suspended-duty arrangements, customs-duty instalments, reductions in eligible customs case fines and cargo routing through Oman.

- ▶ **Extension of suspended duty periods:** Customs Notice No. 12/2026 extends, by 120 days, the suspended-duty period for eligible declarations under import for re-export, temporary admission and transit arrangements. The extension applies to suspended-duty statuses expiring between 27 February 2026 and 31 July 2026.
- ▶ **Customs-duty instalments:** Customs Notice No. 14/2026 introduces a temporary instalment facility for customs duties payable on import declarations. The facility applies to eligible invoices issued between 1 March 2026 and 30 June 2026, provided the customer uses a customs credit account and obtains prior approval. Applications must be submitted by 30 September 2026 and approved instalment plans must be completed within one year of approval.
- ▶ **Reduction of customs case fines:** Customs Notice No. 15/2026 permits an 80% reduction in eligible financial fines imposed in customs cases before 28 February 2026. The reduction does not apply to customs duties, service fees, administrative charges or other amounts due. Applications must be submitted by 31 December 2026. The remaining 20% of the eligible fine must generally be settled in a lump sum, although an instalment arrangement may be approved where the full amount is paid by 30 June 2027.
- ▶ **Green Corridor through Oman:** Customs Notice No. 6/2026 introduces a temporary Green Corridor for qualifying sea and air cargo moving from Dubai to the rest of the world through Oman's seaports and airports. Cargo must move through the Hatta and Al Wajajah border points using trusted bonded operators appointed by Dubai Customs. The movement remains subject to the relevant declaration, screening, sealing and clearance requirements in Dubai and Oman.

BDO comments

The measures may provide operational and cash-flow relief for businesses with open import-for-re-export, temporary admission and transit declarations, as well as businesses with outstanding customs-duty or penalty exposures. Businesses should review relevant declarations, invoices and case files promptly, as the facilities are subject to specified conditions and deadlines.



United Arab Emirates

CUSTOMS AND TRADE (2/2)

Customs digitalisation and e-commerce

Dubai Customs has issued updates affecting the execution of customs transactions through the Dubai Trade portal and procedures for cross-border e-commerce.

UAE PASS. Customs Notice No. 10/2026 allows authorised persons to sign customs declarations, transactions and claims using UAE PASS. The UAE PASS profile must be linked to the relevant Dubai Trade account and Emirates ID details must be accurately maintained in the customs registration system. The existing digital-certificate process remains available. The Notice does not apply to users of the cross-border e-commerce customs platform or Business-to-Government users.

Cross-border e-commerce. Customs Notice No. 16/2026, effective from 3 August 2026, increases the customs-duty exemption threshold for qualifying goods and products from AED 300 to AED 1,000. The exemption does not apply to tobacco and tobacco products, electronic smoking devices and related accessories, nicotine-containing liquids, alcoholic beverages or food preparations containing alcohol. The Notice also provides a customs-duty exemption for returned B2C goods for personal use where duty was previously paid and the goods are returned within 60 days from their original export date.

BDO comments

The revised e-commerce threshold may reduce customs costs for qualifying low-value shipments. E-commerce businesses should review consignment values, product categories, duty calculations and returns processes. Companies using the Dubai Trade portal should also ensure that authorised-person records, Emirates ID details and UAE PASS access are regularly reviewed.

CEPA implementation and trade remedies

Dubai Customs has issued notices implementing the UAE Comprehensive Economic Partnership Agreements (CEPAs) with Azerbaijan, the Republic of Korea and Ukraine. It has also issued updates on the export of industrial-use waste and the anti-dumping treatment of automotive batteries from Korea.

- ▶ **CEPA implementation:** The UAE-Azerbaijan CEPA took effect from 15 April 2026, the UAE-Korea CEPA from 1 May 2026 and the UAE-Ukraine CEPA from 1 July 2026. Businesses trading with these jurisdictions should assess whether goods meet the applicable origin requirements for preferential customs treatment.
- ▶ **Industrial-use waste exports:** Customs Notice No. 13/2026 introduces a temporary prohibition on the export of specified industrial-use waste. The restriction covers listed tariff headings for iron and steel waste and scrap, as well as copper waste and scrap.
- ▶ **Automotive batteries from Korea:** Customs Notice No. 7/2026 exempts AGM and EFB automotive batteries from the anti-dumping duties imposed under Customs Notice No. 10/2023 on certain automotive batteries originating in, or exported from, the Republic of Korea. The exemption took effect from 8 April 2026.

BDO comments

The CEPAs may offer customs-duty savings for qualifying trade with Azerbaijan, Korea and Ukraine, provided the relevant rules of origin and documentary requirements are met. Businesses should review product classifications, supplier declarations, bills of materials and origin calculations before claiming preferential rates. Exporters of industrial waste should confirm whether their goods fall within the restricted tariff headings. Importers seeking to apply for the AGM and EFB battery exemption should retain appropriate technical specifications and product documentation to support the classification and eligibility of the goods.

United Arab Emirates

EXCISE TAX

Minimum Excise Price for tobacco products and liquids used in electronic smoking devices and tools

Cabinet Decision No. 137 of 2026 on the Excise Price for Tobacco Products and Liquids used in Electronic Smoking Devices and Tools was issued on 24 July 2026 and became effective on 1 September 2026, following publication in the Official Gazette.

- ▶ The Excise Price for tobacco products and liquids used in electronic smoking devices and tools, otherwise determined under Article 11 of Cabinet Decision No. 197 of 2025, must not be less than AED 0.4 per cigarette, AED 0.1 per gram of water pipe tobacco, ready-to-use tobacco and other similar products and AED 1 per millilitre of liquids used in electronic smoking devices and tools.
- ▶ Article 1 defines 'Liquids used in Electronic Smoking Devices and Tools' to include all liquids used in such devices and tools and the like, whether or not containing nicotine.
- ▶ This Decision repeals Cabinet Decision No. 55 of 2019 on Excise Price for Tobacco Products, together with any provisions conflicting with this Decision.

BDO comments

The AED 0.4 per cigarette and AED 0.1 per gram thresholds are consistent with the levels previously prescribed under Cabinet Decision No. 55 of 2019. The AED 1 per ml minimum for liquids used in electronic smoking devices and tools is a new feature of the UAE Excise Tax framework and establishes a prescribed minimum Excise Price for these products, similar to the valuation floor already applicable to certain tobacco products. Businesses dealing in e-liquids should review declared Excise Prices across their SKU range ahead of 1 September 2026, particularly lower-priced or high-volume products and review FTA product registrations and commercial agreements and implement any necessary amendments where Excise Tax costs are passed through to distributors or customers. Businesses should also assess the impact of the new minimum Excise Price on existing inventory, pricing models, profit margins and contractual arrangements where Excise Tax costs are passed through the supply chain.

Industries potentially affected: E-liquid and vaping device importers, manufacturers, distributors and retailers.



United Arab Emirates

TRANSFER PRICING

FTA clarification on downward adjustments

The FTA has issued Corporate Tax Public Clarification CTP011, providing guidance on the treatment of transfer pricing downward adjustments made by a Taxable Person in its Corporate Tax Return to comply with the arm's length principle under Article 34 of the UAE Corporate Tax Law.

The clarification confirms that where transactions with Related Parties are not recorded at arm's length in the financial statements, taxpayers must make appropriate transfer pricing adjustments in the tax return. Such adjustments may either increase taxable income (upward adjustment) or decrease taxable income (downward adjustment).

Key clarifications

- ▶ Downward TP adjustments can be made without prior FTA approval: The FTA confirms that the taxpayers are not required to obtain prior approval before making a downward adjustment in the Corporate Tax Return. However, the FTA expressly states that such adjustments remain subject to tax audit.
- ▶ Mandatory disclosure requirement, regardless of materiality: The taxable person is required to file transfer pricing disclosure form, along with the corporate tax return only where prescribed thresholds are exceeded. However, where a taxpayer makes a downward adjustment, every affected related party transaction must be disclosed, regardless of transaction value; transaction type; or disclosure threshold.

Documentation requirements

The clarification outlines the documentation taxpayers should maintain to support downward adjustments. This includes:

- ▶ commercial rationale explaining why the original accounting entries were not arm's length;
- ▶ complete transfer pricing analysis, including benchmarking study;
- ▶ reconciliation between the amount reported in financial statements and corporate tax return; and
- ▶ symmetrical corresponding adjustments by the relevant Related Parties to the transactions and arrangements.

The FTA expressly states that this clarification applies only to transfer pricing adjustments required under Article 34(1). It does not apply to adjustments proposed by the domestic or foreign tax authorities.

BDO comments

This clarification provides welcome certainty regarding the practical treatment of transfer pricing adjustments in the UAE Corporate Tax Return. In particular, the FTA has confirmed that taxpayers can make self-assessed downward transfer pricing adjustments without seeking advance approval from the tax authority. However, the clarification also signals increased scrutiny by requiring disclosure of all transactions subject to downward adjustment, regardless of materiality.

Businesses should establish robust transfer pricing governance processes to identify non-arm's length outcomes before filing their Corporate Tax Returns and ensure that appropriate benchmarking analyses, reconciliations and supporting documentation are maintained. Particular attention should be given to obtaining evidence of corresponding adjustments by the counterparty, as this has been specifically highlighted by the FTA. Taxpayers considering downward adjustments should review their transfer pricing documentation framework to ensure that the adjustment can be substantiated in the event of an FTA audit.

Transfer pricing - 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 in 2026. The filing deadline is nine months from the end of the relevant tax period. The key upcoming deadline for businesses on standard financial year-ends is with regard to the 30 September 2026: Transfer Pricing Disclosure Schedules. the FTA's EmaraTax 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.

United Arab Emirates

TAX PROCEDURES (1/2)

Maintaining accounting records and commercial books

FTA Decision No. 4 of 2026 establishes detailed requirements for the maintenance and retention of accounting records and commercial books, including records held in electronic format or as photocopies. To be considered valid, records must be complete, accurate reproductions of the original documents, remain clear and legible and be readily accessible to the Federal Tax Authority upon request.

The Decision reinforces the importance of robust record-keeping as a cornerstone of tax compliance, enabling taxpayers to substantiate positions taken in their Corporate Tax returns and facilitating verification by the FTA. Importantly, responsibility for maintaining adequate records remains with the taxpayer, irrespective of whether document storage, record management or related administrative functions have been outsourced to third-party service providers.

BDO comments

- ▶ **Strengthen Record Retention Frameworks:** Businesses should review their record retention policies to ensure accounting records and supporting documentation are maintained in a complete, accessible and FTA-ready format.
- ▶ **Validate Electronic Storage Processes:** Taxpayers relying on digital archives should confirm that electronic copies accurately replicate original documents, remain legible throughout the retention period and can be promptly retrieved upon request.
- ▶ **Manage Outsourcing Risk:** Where document management or storage functions are outsourced, businesses should establish appropriate oversight and governance mechanisms, as the responsibility for compliance remains with the taxpayer.
- ▶ **Assess Record-Keeping Readiness:** Periodic reviews of record-keeping processes are advisable to identify gaps in documentation, retention practices or retrieval capabilities before they become compliance issues.



United Arab Emirates

TAX PROCEDURES (2/2)

Procedures for the Disposal of Seized and Abandoned Goods

The FTA issued Decision No. 7 of 2026 on Procedures for the Disposal of Seized and Abandoned Goods on 11 June 2026, effective on 30 July 2026, pursuant to Federal Decree-Law No. 28 of 2022 on Tax Procedures.

The Decision applies to seized or abandoned goods that are perishable, subject to shortage or leakage or that could endanger the safety of other goods or facilities (Article 2). Such goods must be stored and moved under conditions that preserve their condition, quality and quantity, with reconciled stocktaking records maintained throughout (Article 3).

Goods may be sold at a Public Auction, through a licensed auction service provider, once the owner fails to retrieve them after settling the Tax and Administrative Penalties due, or has waived that right. Where the goods are linked to an investigation or legal proceedings, sale requires prior approval from the Public Prosecution or competent court (Articles 4 and 5).

Sale proceeds are applied first to the costs of sale, storage and movement, then to the Tax and Administrative Penalties due, with any surplus credited to the taxpayer's tax account or, where retrieval rights have been waived, retained as the Authority's revenue (Article 6).

BDO comments

Businesses with goods seized or held by the FTA should act promptly to settle outstanding amounts and request retrieval, since a sale may proceed once the conditions set out in Article 4 are satisfied. Taxpayers should also note that any remaining balance may be credited to their tax account, whereas surplus proceeds relating to goods for which retrieval rights have been waived may be retained as Authority revenue.

Private Clarifications Guide

The FTA issued an updated Private Clarifications Guide (TPGPC1) in July 2026, providing guidance on when taxpayers can seek a private clarification, the application process and circumstances in which requests may be rejected.

A private clarification is available where a taxpayer has analysed the applicable legislation and FTA guidance but remains uncertain about the tax treatment of a specific matter based on its particular facts. The clarification is issued only to the applicant and applies only to the specific facts and questions presented.

Key points:

- ▶ Private clarifications cover Corporate Tax, VAT, Excise Tax and Top-up Tax matters.
- ▶ The FTA's response is based on the facts and documents submitted by the applicant; material misrepresentation or a change in facts can invalidate the clarification.
- ▶ A clarification may cease to apply if the relevant legislation or FTA guidance subsequently changes. Taxpayers are responsible for monitoring such developments.
- ▶ For Tax Groups, the clarification request must generally be submitted by the representative member through the Tax Group's EmaraTax account.

BDO comments

The updated guidance reinforces that private clarifications should be used as a mechanism for resolving genuine, fact-specific areas of tax uncertainty, rather than obtaining general tax advice. Businesses considering a request should ensure that the submission clearly sets out the relevant facts, legislation, technical analysis and supporting documentation and should continue monitoring subsequent legislative and FTA guidance developments.

United Arab Emirates

E-INVOICING

Updated FAQs

The UAE Ministry of Finance has released updated e-Invoicing (often referred to as elnvoicing in UAE official communications) FAQs, providing further clarity on policy and implementation aspects of the UAE e-Invoicing framework.

ASP appointment deadline

Businesses with annual revenues exceeding AED 50 million are reminded to appoint an Accredited Service Provider (ASP) by 30 October 2026. The mandatory e-Invoicing implementation deadline remains 1 January 2027.



Key contact information

BDO IN BAHRAIN

ALI JAWAD

17th Floor, Diplomat Commercial Office Tower, Manama, Kingdom of Bahrain

Email: ali@bdo.bh

Telephone: +973 17 530 077

www.bdo.bh

BDO IN KUWAIT

QAIS AL NISF

6th Floor, Al-Shaheed Tower, KhledBen Al Waleed Street, Kuwait City, Kuwait

Email: qais.alnisf@bdo.com.kw

Telephone: +965 22 42 6999

www.bdo.com.kw

BDO IN QATAR

GAVIN BROWN

38th Floor, Palm Tower (B), West Bay, Doha State of Qatar

Email: gavin.brown@bdo.com.qa

Telephone: +974 4434 9770

www.bdo.com.qa

BDO IN OMAN

BIPIN KAPUR

Suite No. 601 & 602, Penthouse, Beach One Building, Way 2601, Shatti Al Qurum, Sultanate of Oman

Email: bipin.kapur@bdo.com.om

Telephone: +968 2 495 5100

www.bdo.com.om

BDO IN SAUDI ARABIA

GIHAD AL AMRI

7th & 8th floor, Moon Tower, King Fahd Branch Road, Riyadh 21421, Kingdom of Saudi Arabia

Email: g.alamri@bdoalamri.com

Telephone: +966 11 278 0608

www.bdoalamri.com

BDO IN UNITED ARAB EMIRATES

SHIVENDRA JHA

23rd Floor, Burjuman Office Tower, Sheikh Khalifa Bin Zayed Road, Dubai, United Arab Emirates

Email: shivendra.jha@bdo.ae

Telephone: +971 4 518 6666

www.bdo.ae

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO Chartered Accountants & Advisors to discuss these matters in the context of your particular circumstances.

BDO Chartered Accountants & Advisors, its partners, employees and agents do not accept or assume any liability or duty of care in respect of any use of or reliance on this publication and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or any context is therefore at your own risk, without any right of recourse against BDO Chartered Accountants & Advisors or any of its partners, employees or agents.

BDO Chartered Accountants & Advisors, a company incorporated under the laws of the United Arab Emirates, is a member firm of the BDO network, a worldwide network of professional services firms. Each BDO Member Firm is an independent legal entity in its own country. BDO International Limited is a UK company limited by guarantee. Service provision within the network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium with its statutory seat in Brussels.

BDO is the brand name for the BDO network and for each of the BDO member firms.

© 2026 BDO Chartered Accountants and Advisors. All rights reserved

