



BDO GCC Tax update

Q4 December 2024

Contents

BAHRAIN	KUWAIT	OMAN	
<hr/>	<hr/>	<hr/>	
▶ Domestic minimum top-up tax (DMTT) 04	▶ Pillar two domestic top-up tax enacted 05	▶ Double tax avoidance agreements 11	
	▶ Business profit tax (BPT) and pillar two 07		
	▶ Tax highlights from 2024 & Double tax avoidance agreement (DTAA) 09		
	▶ DTAA updates 10		
 QATAR	 SAUDI ARABIA	 UNITED ARAB EMIRATES	
<hr/>	<hr/>	<hr/>	
▶ Country-by-country reporting (CbCR) 12	▶ E-invoicing & Tax amnesty 13	▶ Corporate tax 17	
	▶ Zakat 14	▶ R&D tax & Grace period for updating tax records 22	
	▶ Transfer pricing 16	▶ Tax assessment reviews 23	
		▶ Private clarifications 24	
		▶ Value added tax & E-invoicing 26	
		▶ Economic substance regulations & Emirate level taxation for branches of foreign banks 27	
			KEY CONTACT INFORMATION

Introduction

BDO publishes a Gulf Cooperation Council (GCC) tax update on a quarterly basis and we're delighted to share the Q4 2024 edition with you.

The update provides a summary of the region's tax news from Q4 and a roundup of some of the key changes from the past year.

The **UAE** was the source of most of the region's tax news in 2024, with a constant flow of new legislation and guidance emanating from the introduction of corporate tax and transfer pricing. There has been no let up in the final quarter of the year, with yet more detailed guidance on corporate tax, general tax administration and value added tax.

In addition, the UAE has become the second GCC country to announce a domestic minimum top up tax (DMTT); there are also proposals for a research and development tax relief.

Saudi Arabia's e-invoicing programme moved forward assuredly in 2024 and, in the past quarter, the scope of the 19th wave of implementation has been announced. Saudi Arabia also introduced revised regulations for Zakat in 2024, which apply to financial periods commencing on or after 1 January 2024. The new regulations will need to be taken into account for upcoming Zakat calculations.

Kuwait left one of its biggest announcements of 2024 to the last day of the year, with the news that the country will implement a domestic minimum top up tax for fiscal years starting on or after 1 January 2025. Earlier in December, a draft law for the proposed business profit tax was circulated in local media, which proposed a rate of 15%. The tax will be introduced in stages, commencing in 2025 and high thresholds will mean that the tax only applies to larger businesses. The draft law provides a useful insight into how the tax will operate and, amongst other things, includes details on exemptions and exclusions and defines which entities will be affected.

It remains to be seen, however, if Kuwait will press ahead with the proposed business profit tax.

Some of the other important changes in Kuwait in 2024 include provisions for the international exchange of information and new rules for tax incentives for investment entities. There were also a number of treaty changes and updates during the year.

In **Bahrain**, there has been more progress with the proposed domestic minimum top up tax, with the release of the DMTT regulations and the opening of dedicated portal for DMTT registration. The news that Bahrain would introduce DMTT was one of the big stories of 2024 as it was the first of the GCC countries to make such an announcement.

Oman has been busy in Q4 with the signing of new double tax avoidance treaties with Tanzania, Cyprus, Estonia and Luxembourg.

2024 was an interesting year for tax in Oman with the confirmation that the Shura Council had initiated discussions on an individual tax on high income earners.

It seems likely that there will be some important developments and new announcements on this topic in the coming year.

The General Tax Authority of **Qatar** published deadlines for certain country-by-country reporting during Q4. The deadlines have now passed, so any business that is subject to country-by-country reporting obligations in Qatar should check that their compliance is fully up to date.

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

Bahrain

DOMESTIC MINIMUM TOP-UP TAX

One of the most significant tax events of 2024 was the announcement that Bahrain would be implementing a domestic minimum top up tax, in support of the OECD model.

This was the first such announcement by a GCC country and it reflects Bahrain's commitment to global economic fairness and transparency. Bahrain is now moving forward from this announcement with the opening of a new portal for DMTT registration and the release of executive regulations. These are covered briefly, below.



DMTT registration open

The National Bureau for Revenue (NBR) has launched its updated portal with a new, user-friendly interface and a dedicated section for DMTT registration.

The key features of the new portal include:

- ▶ A modernised design for easy navigation
- ▶ A step-by-step DMTT registration form
- ▶ Taxpayer overview, which summarises the taxpayer's tax registrations.

Executive regulations on DMTT released

Bahrain has published the executive regulations (ER) to the new DMTT rules for multinational enterprises (MNEs) through Decree Law (11) of 2024, Decision no. (172) of 2024, effective from 1 January 2025. This regulation aligns with the Organisation for Economic Co-operation and Development (OECD) guidelines.

For further details and insight please refer to executive regulations on domestic minimum top-up tax (DMTT) in Bahrain released: [Key highlights - BDO](#)

Kuwait

PILLAR TWO DOMESTIC TOP-UP TAX ENACTED

On 31 December 2024, Kuwait published Decree Law No. 157 of 2024. This implements a domestic minimum top-up tax (DMTT) at an effective rate of 15%

This is aligned with the OECD Pillar Two global anti-base erosion model rules (Globe rules).

The law, which is effective for fiscal years starting on or after 1 January 2025, ensures that in-scope multinational entities pay a minimum tax rate of at least 15% on their profits. Kuwait has not legislated an income inclusion rule or undertaxed profit rule.

Entities subject to DMTT

The DMTT law applies to all entities in Kuwait, whether as ultimate parent entities (UPEs) or as constituent entities (CEs) e.g. subsidiaries or permanent establishments (PEs) of a group that meet both of the following criteria:

- ▶ The group is a multinational group (i.e. present in more than one jurisdiction through a subsidiary, branch, PE or similar form of presence)
- ▶ The UPE of the group has a consolidated revenue of at least EUR 750 million (approximately KWD 240 million) in at least two out of the prior four accounting years.

Broadly, an entity is deemed to be 'in Kuwait' if it is a tax resident of Kuwait or a PE in Kuwait. An entity becomes a tax resident in Kuwait if it is incorporated in Kuwait or has its main/effective place of management in Kuwait.

The law also applies to stateless entities, as well as joint ventures if 50% or more owned by an in-scope MNE group.

Permanent establishments (PEs)

The law contains a definition of a PE that is generally aligned with the definition in the UN model tax treaty. There is a six-month duration test for the creation of a construction/installation PE, as well as the provision of services.

Excluded entities

The following entities - whether or not Kuwaiti entities - are excluded from the law, although their revenue is included in the revenue test for the MNE group:

- ▶ Government bodies
- ▶ International organisations
- ▶ Not for profit organisations
- ▶ Pension funds
- ▶ Investment funds/real estate funds that are UPEs.



Kuwait

PILLAR TWO DOMESTIC TOP-UP TAX ENACTED continued

Exemption from existing tax laws

Entities that fall within the scope of the DMTT will not be subject to the following domestic taxes as from fiscal years starting on or after 1 January 2025:

- ▶ Zakat
- ▶ National Labour Support Tax
- ▶ Income tax under Decree No. 3 of 1955, as amended
- ▶ Income tax on activities in the Kuwait-Saudi Arabia Neutral Zone.

Safe harbours

In line with OECD guidance, the law includes the following safe harbours aimed at simplifying tax compliance for eligible MNEs:

- ▶ Transitional CBCR safe harbour
- ▶ Simplified calculation safe harbour
- ▶ Exclusion for initial international activities.



Compliance

In-scope entities must register within 120 days from the date of becoming taxable under the law, except that registration deadlines are extended through 30 September for tax year 2025. Tax declarations and tax payments are due by the 15th month following the end of the tax year. Records must be retained for 10 years.

Penalties

Penalties will be imposed for failure to comply with the minimum tax rules:

- ▶ Late filings will incur a penalty of at least KWD 1,000 or 5% - 20% of the final tax due, depending on the delay: whichever is higher
- ▶ If the tax assessed exceeds 10% of the declared tax, a 25% penalty on the difference will apply. However, the penalty will be reduced to 10% for voluntary corrections
- ▶ Failure to file will attract a penalty of not less than KWD 5,000 or 25% of final tax due: whichever is higher
- ▶ A late payment penalty of 1% of the tax due will be levied for every 30 days of delay (or part thereof)
- ▶ A penalty of KWD 3,000 will be levied for administrative violations.

Kuwait

BUSINESS PROFIT TAX (BPT) and PILLAR TWO

Introduction of BPT and Pillar Two regulations

The draft Kuwait business profit tax law was published by various local news agencies on 6 December 2024.

The law provides a framework to align Kuwait's tax system with international standards by introducing a 15% tax on the profits of certain entities. The tax will bolster non-oil revenue as part of Kuwait Vision 2035.

BPT will be implemented in two phases, as follows:

Phase 1 (commencing 1 January 2025)

In the first phase the tax will be limited to Kuwaiti multinational enterprises (MNEs) and permanent establishments (PEs) of foreign MNEs with annual revenue exceeding €750 million.

These entities may also face a supplementary tax in line with OECD Pillar 2 rules if their effective tax rate falls below 15%.

Phase 2 (commencing 1 January 2027)

In this phase the tax will be extended to all other legal and natural persons carrying out commercial or investment activities. A generous tax exemption applies if turnover does not exceed KD 1.5 million (approx. US\$ 4.9 million).



Taxable persons:

The draft law adopts the principles of tax residence, and the following are deemed to be taxable persons:

Legal persons resident in Kuwait: this includes all forms of entity incorporated under the Kuwait Companies Law of 2016, in addition to any authority, public institution, fund or any legal person established under any law or decision. Further, unincorporated partnerships are generally included within the scope of the BPT Law.

Natural persons resident in Kuwait who carry out business activities: this is expected to include commercial or investment activities such as the trading of goods, provision of services, agency, brokerage, property developments, speculative trading and the use of movable and immovable properties.

The PE of a foreign entity: legal and natural persons resident in Kuwait are taxable on their worldwide income, whereas PEs of foreign entities are taxable only on their Kuwait income.

Tax rates

The standard tax rate is a flat rate of 15%. However, the following exceptional tax rates apply:

- ▶ 30% tax rate on businesses operating in the neutral zone of Kuwait / Saudi Arabia with a possibility of a 50% reduction if the taxable person pays 50% of the tax in Saudi Arabia
- ▶ 0% tax rate for entities wholly owned by the Kuwait Government.

Kuwait

BUSINESS PROFIT TAX (BPT) and PILLAR TWO continued

Exemptions

The following income streams are exempt in the draft BPT law:

- ▶ Dividends and capital gains received from a participating interest in a resident or non-resident legal person are exempt, provided certain conditions are met
- ▶ Income from international shipping or aircraft operations (subject to certain conditions).

Entities exempted from BPT

In the draft BPT law, exemptions from BPT are available to the following:

- ▶ Entities wholly owned by the Kuwaiti Government
- ▶ Kuwaiti non-profit organisations
- ▶ Taxable persons whose turnover does not exceed KD 1.5 million in the taxable year.

Entities exempted from supplementary tax

In line with Pillar Two rules, the following entities are excluded from supplementary tax obligations:

- ▶ Government entities
- ▶ Not-for-profit organisations
- ▶ International organisations
- ▶ Pension funds
- ▶ Investment fund or real estate fund that is the ultimate parent entity of the MNE.

The publication of the draft law marks a significant shift in Kuwait's tax landscape, emphasising compliance, competitiveness and alignment with global standards. The law has not yet been published in the Official Gazette of Kuwait.



Kuwait

TAX HIGHLIGHTS FROM 2024 / DOUBLE TAX AVOIDANCE AGREEMENT (DTAA) WITH SAUDI ARABIA

Tax highlights from 2024

Exchange of information

Decree No. 6 of 2024 concerning the exchange of information for tax purposes (the Decree) was published in Kuwait on 14 July 2024. The Decree creates a legal framework for the collection of tax information and enhances Kuwait's implementation of the automatic exchange of financial account information (AEOI) standard, including the common reporting standards (CRS).

The Decree requires legal and natural persons in Kuwait to provide information required by the Ministry of Finance (MOF) in response to a request from a foreign authority for the exchange of information for tax purposes. It also introduces measures and penalties for non-compliance.

The Decree became effective from 30 September 2024.

Investment entities

On 7 August 2024, the Kuwait Direct Investment Promotion Authority (KDIPA) issued decision No. 388/2024 (the decision), clarifying the criteria and processes for obtaining tax incentives under Law No. 116 of 2013. As background, Law No. 116 of 2013 covering the promotion of direct foreign investments in Kuwait permits investors to apply for income tax incentives (through a tax credits mechanism) and customs exemption.

The decision permits KDIPA licenced entities which did not qualify or apply for tax incentives at the time of licencing to apply for income tax incentives, provided at least one year has elapsed since the commencement of operations in Kuwait and subject to certain conditions. The tax incentives, if granted, will not cover existing business contracts, contracts for which bids were submitted before applying for tax incentives, or contracts assigned or transferred to another entity.

The decision became effective on 18 August 2024.



Kuwait signs DTAA with Saudi Arabia

On 4 December 2024, Kuwait and the Kingdom of Saudi Arabia signed a DTAA at the Zakat, Tax and Customs Authority (ZATCA) conference.

The DTAA aims to strengthen ties, enhance economic integration and address tax related challenges. The DTAA is yet to be ratified and published in the Official Gazette of Kuwait.

Kuwait

TAX HIGHLIGHTS FROM 2024 continued

2024 Double taxation avoidance agreements

Kuwait-UAE DTAA

In July 2024, Kuwait approved a double taxation avoidance agreement between the State of Kuwait and the United Arab Emirates.

The treaty will enter into force once the domestic ratification and notification procedures in each country are completed.

Kuwait-Iraq DTAA

In September 2024, Kuwait ratified the tax treaty previously signed with Iraq in 2019. The tax treaty permits income from interest, royalty and dividends to be taxed in the source state at a rate not exceeding 10%, provided certain conditions are met. The tax treaty does not include any of the OECD's BEPS-multilateral instrument provisions. From a Kuwaiti perspective, Zakat and Kuwait Foundation for the Advancement of Sciences (KFAS) provisions are not part of the taxes covered by the treaty.

Kuwait-South Africa DTAA

In September 2024, Kuwait ratified the protocol to amend certain provisions of the existing tax treaty with South Africa. Notably, the amended tax treaty now grants taxing rights to the source state against dividends and interest income earned by non-residents (previously taxable in the country of residence). The amended tax treaty excluded Kuwait Zakat and KFAS from the covered taxes.

Kuwait-Switzerland DTAA

In September 2024, Kuwait ratified the protocol to introduce significant changes to the existing tax treaty with Switzerland, previously signed in 1999. The amended tax treaty introduces a preamble to avoid non-taxation, in addition to a principle-purpose test to deny treaty benefits if there was no economic reasonableness for entering into a transaction other than seeking treaty benefits.

The amended treaty provides for certain conditions to limit the taxing rights of source states. In particular, interests on inter-company loans and those paid to a bank and to a government are taxable in the country of residence. Further, the country of residence has the taxing rights over dividends if the beneficial owner of the dividends has directly held at least 10% of the paying company's shares, provided certain conditions are met. The amended tax treaty also provides for the arbitration option in case of unresolved tax disputes and removed Zakat and KFAS from the taxes covered by the treaty.

Kuwait-Pakistan DTAA

In May 2024, as part of the fifth session of the Pakistan-Kuwait joint ministerial commission, both countries agreed to formalise the memorandum of understanding for collaboration in various areas, including cooperation for a revised version of the DTAA between the two countries.



The Sultanate of Oman

DOUBLE TAX AVOIDANCE AGREEMENTS



The Sultanate of Oman has continued its efforts to strengthen international tax cooperation by signing double taxation avoidance agreements (DTAAs) with four countries during the fourth quarter of 2024.

- ▶ United Republic of Tanzania - agreement signed on 15 December 2024
- ▶ Republic of Cyprus - agreement signed on 8 December 2024
- ▶ Republic of Estonia - agreement signed on 27 October 2024
- ▶ Grand Duchy of Luxembourg - agreement signed on 17 October 2024.

The agreements aim to legally protect investors from the imposition of double taxes and regulate the imposition of tax between the two friendly countries. In turn, this will contribute to enhancing investment and trade exchanges. The new tax treaties will enter into force after the ratification instruments are exchanged. Full details of the new treaties are awaited.

Qatar

COUNTRY-BY-COUNTRY REPORTING (CbCR)

The General Tax Authority (GTA) has announced that the TABADOL Portal is now open.

This is for the submission of CbCR reports for the fiscal year (FY) 2023 and the filing of CbCR notifications for FY 2024.

Each ultimate parent entity (UPE) of a multinational enterprises (MNE) group that is tax-resident in Qatar and is not otherwise excluded is required to comply with the following requirements for the FY beginning on 1 January 2023:

- ▶ Register or update registration
Registration or updating the registration should be carried out on the TABADOL Portal. If an accounting firm or other service provider is submitting the notification or report, a copy of the engagement letter or delegation of authority must be uploaded by the registrant.
- ▶ Submit the CbCR report for FY 2023
- ▶ Submit the CbCR notification that the business is the UPE of the MNE group for FY 2024

These actions needed to be completed by 31 December 2024; the TABADOL Portal remained open for registration and submission until that date.

Support is available online at tabadol.support@gta.gov.qa or by email on eoigta.gov.qa.

The GTA's announcement has been issued in line with the following regulations:

- ▶ Mutual administrative assistance convention in tax matters
- ▶ Multilateral competent authority agreement on exchanging CbCR reports
- ▶ Minister of Finance (MOF) decision no. 16 of 2019 on CbCR reports
- ▶ Decision of the Chairman of the GTA No. (7) of 2019 on penalties for non-compliance with CbCR reporting requirements.

It should be noted that MNE groups with annual revenues below QAR 3 billion are exempt from the CbCR reporting and notification requirements.



Kingdom of Saudi Arabia

E-INVOICING / TAX AMNESTY

E-invoicing

On 27 December 2024, ZATCA announced the criteria for taxpayers in the nineteenth wave of e-invoicing implementation.

This wave will include all taxpayers whose VAT-able income exceeded SAR 1.75 m during 2022 or 2023.

ZATCA will notify all taxpayers in the nineteenth wave to integrate their e-invoicing solutions with the Fatoora Platform by no later than 30 September 2025.



Tax amnesty

New extension for six months

On 29 December 2024, ZATCA announced the extension of the cancellation of fines and exemption from penalties initiative.

Sometimes referred to as the tax amnesty, this is for an additional period of six months, beginning on 1 January 2025.

The taxes included in the amnesty are:

- ▶ Value Added Tax
- ▶ Withholding tax
- ▶ Excise tax
- ▶ Corporate income tax
- ▶ Real estate transaction tax

Customs duties are not within the scope of the amnesty.

Fines covered by the exemption decision include:

- ▶ Late registration
- ▶ Delay penalties
- ▶ Late submission of returns
- ▶ Revision of VAT returns.

The penalty waiver is limited the tax submissions and tax dues to be filed and paid before 1 January 2025. Full details of the amnesty can be found on the ZATCA web site.

Kingdom of Saudi Arabia

ZAKAT

2024 Zakat regulations

One of the most significant tax events for KSA in 2024 was the release of new Zakat regulations, which replace the previous version, issued in 2019.

The new regulations apply to financial years commencing on or after 1 January 2024 and introduce a revised approach to calculating Zakat. It is therefore important that Zakat payers now assess the impact on upcoming Zakat declarations. They should also ensure that their transfer pricing policies are aligned with the new requirements.

Calculation of Zakat under the new regulations

The Zakat rate will apply to the full components of the Zakat base, including the adjusted net income or loss as follows:

- ▶ **Hijri Year**
 $2.5\% \times (\text{Zakat base})$
- ▶ **Gregorian Year**
 $2.5\% \div (354) \times (\text{No. of fiscal year days}) \times (\text{Zakat base}).$



To make the calculation:

- ▶ The year-end closing balances will be taken from the financial statements
- ▶ ZATCA approved additions and deductions will be based on the value shown in the financial positions of the in the financial statements at the end of each year
- ▶ The re-assessment results according to the fair value shown in the Zakat end-of-year financial statements will be the value used in the Zakat calculation
- ▶ ZATCA has adopted the matching principle in the Zakat calculation, where non-current assets are matched against non-current liabilities and current assets are matched against current liabilities. In addition, property rights will complete the shortage of sources of financing for current or non-current assets.

The Zakat payer can choose to file a consolidated Zakat return with its subsidiaries. However, if this option is taken, the holding company is not permitted to switch to filing a standalone Zakat return without prior approval from ZATCA.

Kingdom of Saudi Arabia

ZAKAT continued

Procedural changes

- ▶ Documents submitted to ZATCA must be presented by an authorised individual
- ▶ If an error is discovered in the Zakat return, it can be amended after obtaining ZATCA's approval and providing the necessary supporting documentation. The statute of limitations will be extended from the date the return is amended
- ▶ The statute of limitations may be extended to 10 years if the Zakat return is not submitted
- ▶ A new approach applies when declared revenues or declared expenses are different from the information held by ZATCA
- ▶ The retention period for books and records has been extended to 10 years
- ▶ ZATCA has the authority to determine a Zakat base or any of its components under specific conditions.



It is important to maintain the necessary documentation to ensure compliance with the new regulatory requirements.

Zakat payers may wish to assess the potential advantages of requesting the application of the new regulation to prior years, i.e. before 1 January 2024 and to years currently under dispute with ZATCA or the tax committee, where the dispute remains unresolved.

Kingdom of Saudi Arabia

TRANSFER PRICING

Transfer pricing (TP) is currently a hot topic in the Middle East and Saudi Arabia has been a TP pioneer in the region.

Saudi TP continued to evolve in 2024 and advancements included the publication of the updated third edition of the TP guidelines, released by ZATCA on 24 June 2024. This includes a requirement for qualifying Zakat paying entities to file their first TP disclosure form and provide the TP assurance report (affidavit) for financial years commencing on or after 1 January 2024 within 120 days of the financial year-end.

The latest guideline also incorporates commentary on the advanced pricing arrangements (APAs). This includes the scope of APAs, the application process and the conclusion of an APA. Further detail on this process was included in our Q2 2024 GCC Tax update.



United Arab Emirates

CORPORATE TAX

Domestic minimum top-up tax

The UAE Ministry of Finance (MoF) has announced the implementation of a domestic minimum top-up tax (DMTT), which will be effective for financial years starting on or after 1 January 2025.

This initiative is part of the UAE's commitment to the OECD's Pillar Two framework, which aims to ensure that multinational enterprises (MNEs) are taxed at a minimum effective rate of 15%.

The DMTT will apply to MNEs operating in the UAE with consolidated global revenues of €750 million or more (approximately AED 3 billion) in at least two of the four financial years immediately preceding the year in which the DMTT is applicable. This measure ensures that large MNEs with operations in the UAE are subject to a minimum effective tax rate of 15% on their UAE profits. At this point it is not clear how the DMTT will interact with the free zone relief.



Tax returns guide

The FTA has released the Corporate tax guide on tax returns (CTGTXR1). This provides detailed guidance on completing and filing corporate tax returns.

The guide provides step-by-step instructions and detailed schedules assistance with claiming reliefs, exemptions and benefits. The aim is to ensure compliance and simplify the process for businesses navigating the new corporate tax landscape in the UAE.

A tax return will consist of several parts, allowing a taxable person to report their taxable income, including any adjustments such as exemptions and reliefs.

- ▶ Part A - Taxable person information
- ▶ Part B - Elections
- ▶ Part C - Accounting schedule
- ▶ Part D - Accounting adjustments and exempt income
- ▶ Part E - Reliefs
- ▶ Part F - Other adjustments
- ▶ Part G - Tax liability and tax credits
- ▶ Part H - Review and declaration
- ▶ Part I - Schedules.

United Arab Emirates

CORPORATE TAX continued

Tax returns guide continued

Key insights

Thresholds for transactions with related parties and connected persons: The guide has prescribed materiality thresholds for transfer pricing as follows:

- ▶ If the aggregate value transactions with related parties exceeds AED 40 million, the taxable person must disclose all transactions where the aggregate value per category of transaction exceeds AED 4 million. The transaction categories include goods, services, intellectual property, interest, assets and liabilities
- ▶ If the aggregate value of transactions with connected persons exceeds AED 500,000, the taxable person must disclose transactions where the aggregate payment or benefit per connected person exceeds AED 500,000.



Approval for downward transfer pricing adjustments: Any transfer pricing adjustment that reduces taxable income will require prior approval from the FTA. The exact process and requirements for securing the FTA approval has not yet been confirmed.

Mandatory filing to claim treaty benefit: A person registered for corporate tax that falls out of scope due to a double taxation agreement must declare this in the relevant part of the return. This implies that the person will be required to submit a tax return to claim treaty benefits and, while a full tax return is not required, it is clear that such persons are not exempt from the filing requirements.

United Arab Emirates

CORPORATE TAX continued

Real estate investment by natural persons

The FTA has released a guide on real estate investment for natural persons. This provides instructions on how individuals can manage their real estate investments in compliance with the UAE Corporate Tax Law (CT law). It covers various aspects, including the definition of real estate investment, criteria for exclusion from corporate tax and the implications for registration and transactions. The guide aims to help natural persons understand their tax obligations and ensure proper reporting and compliance with the new regulations.

Partnerships and family foundations

The MoF has issued a ministerial decision (No. 261 of 2024) that addresses the treatment and compliance requirements for unincorporated partnerships, foreign partnerships and family foundations under the CT law. This decision, effective for tax periods starting on or after 1 June 2023, repeals the previous ministerial decision No. 127 of 2023. The key insights of the decision are as follows:

Unincorporated partnerships:

The decision eliminates the requirement for unincorporated partnerships to notify the FTA within 20 business days of any changes in partnership composition. Instead, these changes can now be reported in the annual tax return, simplifying administrative processes.



Foreign partnerships:

Foreign partnerships will be treated as tax transparent in the UAE if they are recognised as such in their home jurisdiction and are not subject to a similar tax. This change removes the need for individual partners to verify their tax status with the FTA, streamlining compliance.

Family foundations:

Family foundations can qualify as unincorporated partnerships if public benefit entities among their beneficiaries do not derive taxable income directly, or if such income is distributed within six months of the relevant tax period. Additionally, juridical persons wholly owned and controlled by family foundations may apply for tax transparent status under Article 17 of the CT law, provided they meet all relevant conditions.

United Arab Emirates

CORPORATE TAX continued

Extended deadline for tax returns

The FTA extended the deadline for certain taxpayers to file their corporate tax returns and settle tax liabilities to 31 December 2024. This extension applied to businesses incorporated on or after 1 June 2023 and those with a tax period ending on or before 29 February 2024. The extension aims to provide additional time for these entities to comply with the new corporate tax requirements, ensuring a smoother transition period.



Tax groups

The MoF has published Ministerial Decision 301 of 2024, dealing with tax groups. Some of the key information from the decision includes the following:

Simplified compliance for dual-resident entities

Foreign juridical persons considered to be resident in the UAE can now be included in a tax group without the requirement of furnishing a confirmation of tax residency status from the foreign tax authority. Similarly, a UAE resident person who becomes a tax resident in another country will simply cease to be part of the tax group from the beginning of the tax period.

Deadline for filing tax grouping applications

Applications to the FTA must be made before the end of the relevant tax period.

Administrative relief

The decision provides administrative relief for pre-grouping tax losses or unused net interest expenditure by allowing the taxable person to forfeit them if they prefer not to determine the taxable income for the relevant tax group member on a standalone basis, in accordance with transfer pricing requirements. This requirement is also waived in cases where a foreign tax credit needs to be claimed.

United Arab Emirates

CORPORATE TAX continued

Participation exemption and foreign permanent establishment exemption

A new ministerial decision (302 of 2024) on double taxation relief confirms that income from ownership transfers under qualifying group relief or business restructuring relief will not face double taxation, even if claw-back provisions under the participation exemption rules apply.

The decision also resolves ambiguity regarding the 5% thresholds where the aggregate cost of acquisition criteria is met. It clarifies that the 5% profits/liquidation proceeds test does not apply if the minimum acquisition cost exceeds AED 4 million. Previously, this relaxation seemed applicable only to the 5% ownership criteria.



Other points covered in the decision:

- ▶ The asset test for participation exemption applies only when the participation is categorized as a related party under the UAE CT law
- ▶ Losses from the liquidation of a participation can be utilised only after adjustment against the following items in the relevant tax period and the preceding seven tax periods:
 - Tax losses transferred from the participation
 - Dividends and profit distributions that were exempted earlier
 - Adjustment for asset/liability transfers undertaken with the participation on non- arm's length basis
- ▶ Restrictions apply to losses arising for a tax group on the liquidation of a participation
- ▶ There will be restrictive measures on the admissibility of participation exemption in cases where the assets/liabilities of a foreign PE are transferred to such participation, and the losses of the foreign PE claimed earlier have not been fully offset against an equivalent amount of taxable income.

United Arab Emirates

R&D TAX / GRACE PERIOD FOR UPDATING TAX RECORDS

R&D tax

The UAE is considering the introduction of tax incentives to promote research and development (R&D) activities and high-value employment, potentially including refundable tax credits. This will be effective for financial years starting on or after 1 January 2026.



Grace period for updating tax records

The Federal Tax Authority has announced a grace period from 1 January 2024 to 31 March 2025, allowing businesses to update their tax records without incurring administrative penalties.

During this period, businesses can rectify their tax records without facing penalties for previously delayed updates. Additionally, any penalties already imposed for failing to update records before the grace period will be automatically reversed if the updates are completed within the specified timeframe.

Records that can be updated with the benefit of the grace period include:

- ▶ Name, address and email address
- ▶ Trade licence activities
- ▶ Legal entity type, partnership agreement for unincorporated partnerships and articles of association or its equivalent
- ▶ Nature of the business of the registrant
- ▶ The address from which the registrant conducts any business.

United Arab Emirates

TAX ASSESSMENT REVIEWS

A public clarification (TAXP008) has been issued concerning tax assessment reviews, aimed at guiding taxpayers through the steps required to request a review of their tax assessments and penalties.

It applies to corporate tax, VAT, excise tax and other federal tax-related disputes.

Taxpayers can submit requests if they believe the FTA has made errors in calculating taxes, estimating taxable income or applying penalties. Reviews may also be requested if the FTA has overlooked crucial documentation provided by the taxpayer.

The request for a tax assessment review must be submitted within 40 business days of receiving the assessment. In cases of delays due to exceptional circumstances, taxpayers may seek extensions.



Taxpayers are required to include all relevant records and evidence when submitting the review request. This may include invoices, contracts, financial records or other relevant documents.

Once a request is submitted, the FTA will evaluate the documentation and the grounds for appeal. The process ensures transparency, with taxpayers being informed of the final decision, which may confirm, amend or cancel the tax assessment.

If taxpayers are dissatisfied with the outcome, or if the decision is not issued within 40 business days (or a longer period where the person is notified of an extension), the person may submit a reconsideration request. As part of the reconsideration process, the person may submit additional information and documentary evidence that was not available during the tax audit. Taxpayers can also escalate the case to the tax dispute resolution committee (TDRC) or the UAE courts.

United Arab Emirates

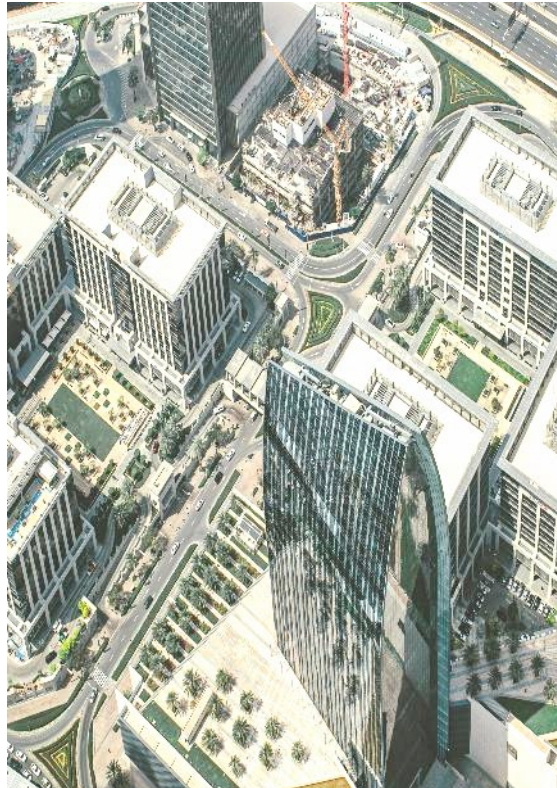
PRIVATE CLARIFICATIONS

The FTA has issued an updated guideline (TPGPC1) regarding tax clarifications which aim to address ambiguities in legislation and help taxpayers understand their responsibilities.

The key features of the system are set out below:

Who can apply?

- ▶ **Registrants:** Individuals or entities registered for tax purposes with a tax registration number (TRN)
- ▶ **Non-registrants:** Those not registered with the FTA but who can justify non-registration (e.g. income below the threshold)
- ▶ **Tax agents:** Agents accredited with the FTA can apply on behalf of clients, but only for authorised tax types.



What taxes are covered?

- ▶ **Excise tax** - introduced with effect from 1 October 2017
- ▶ **Value Added Tax** - introduced with effect from 1 January 2018
- ▶ **Corporate tax** - introduced with effect from 1 June 2023.

Out of scope

The FTA will reject clarification requests submitted for administrative exceptions, use of a special apportionment method, tax residency certificates (unless the request relates to whether a person is eligible to apply for a TRC), tax assessment reviews, reconsiderations and waivers and IT system issues or queries. Advance pricing agreements are also excluded as they are covered by way of separate processes.

Submission process

Requests for clarification must be submitted through the EmaraTax portal.

Supporting documentation

Applicants are required to upload relevant documents, including:

- ▶ Contracts or agreements
- ▶ Sample invoices or receipts
- ▶ Evidence of tax calculation methods
- ▶ Cover letters summarising technical tax positions.

United Arab Emirates

PRIVATE CLARIFICATIONS continued

Fees

The standard fees are AED 1,500 for clarifications involving a single tax type and AED 2,250 for multiple tax types.

The FTA may refund the fee paid if it decides not to issue a clarification provided in any of the following circumstances:

- ▶ The clarification request is withdrawn by the applicant within two business days of the date of submitting the request
- ▶ The clarification is submitted by a person who is not registered for corporate tax and the subject of the clarification is not related to an inquiry about tax registration
- ▶ The applicant is subject to tax audit by the FTA at the time of submitting the request
- ▶ The clarification request is related to the procedures that should be applied as a result of a decision issued by the FTA
- ▶ The clarification request is a duplication to another private clarification request, submitted by the same applicant with the same subject and documents, that the FTA is working on
- ▶ The clarification request is related to a subject which the FTA is coordinating with the MoF on to amend the tax legislation.



Key insights

The following key points should be borne in mind when considering making an application for a clarification:

- ▶ Each clarification must be tailored to the applicant's situation rather than general tax advice
- ▶ Clarifications are valid indefinitely unless laws or guidelines change
- ▶ The taxpayer must specify if the clarification relates to proposed, current or completed transactions
- ▶ The taxpayer must be able to identify impacted tax periods
- ▶ Duplicate submissions or requests on previously clarified matters may be rejected.

United Arab Emirates

VALUE ADDED TAX / E-INVOICING

Amendments to the VAT executive regulations

On 2 October 2024, the FTA released cabinet decision no. 100 of 2024, amending the executive regulations of the Federal Decree Law No. 8 of 2017 on Value Added Tax.

The updated executive regulations are effective from 15 November 2024, unless an earlier effective date is specified.

The updated executive regulations introduce substantial changes to the VAT landscape, impacting several priority sectors, including real estate, virtual assets (cryptocurrencies) and investment fund management. In addition to altering the VAT treatment in these areas, it also addresses various compliance inconsistencies.

Please follow the link to view a summary of key amendments [here](#).

E-invoicing

The Ministry of Finance has announced the issuance of Federal Decree Law No. 17 and 16 of 2024.

This amends key provisions of Federal Decree Law No. 28 of 2022 concerning tax procedures and Federal Decree Law No. 8 of 2017 related to Value Added Tax (the VAT law).

These legislative updates represent a pivotal step towards implementing an E-Invoicing system with the aim to enhance tax compliance in a secure and efficient manner, lessening administrative complexities in the constantly evolving digital environment.

Companies should evaluate the impact of the new E-invoice regime on their existing operations and update their system and data capabilities as required. It is essential to understand that the implementation of e-invoicing is not solely the responsibility of the tax department. It requires the involvement of stakeholders across all business functions, including IT, legal, sales and others.

Based on the recent announcements, the E-invoice regime is scheduled to go live from Q2 2026. However, businesses will need to start preparing for E-invoicing from Q2 2025 allow time to manage the transformation.

The MoF has announced supporting amendments in VAT legislations to implement E-invoicing in UAE. The key amendments can be found [here](#).

Tax refund system for e-commerce retail purchases by tourists

The FTA has announced the launch of a new VAT refund system for e-commerce purchases for tourists visiting the UAE, which is considered to be the world's first of its kind.

The new system will be in collaboration with Planet, the authorised operator for the UAE's existing tourist refund. Tourists will be able to request refunds directly through registered e-commerce platforms by submitting their travel document details and relevant personal information to verify their eligibility at the time of purchase. The VAT refund details will be verified during delivery or online order fulfilment.



United Arab Emirates

ECONOMIC SUBSTANCE REGULATIONS / EMIRATE LEVEL TAXATION FOR BRANCHES OF FOREIGN BANKS

The Ministry of Finance has issued cabinet decision No. 98 of 2024 regarding economic substance requirements (ESR).

This amends cabinet decision No. 57 of 2020.

A new article No. 2 has been added to specify the periods covered by the ESR, confirming that the provisions will apply to financial years from 1 January 2019 to 31 December 2022. The amendments indicate that the ESR will be withdrawn from financial years starting on or after 1 January 2023.

Any administrative fines imposed on licencees or exempted licencees for non-compliance with the ESR for years beyond 31 December 2022 will be refunded. This cabinet decision aligns with a recent message on the MoF ESR portal.

It had long been expected that the ESR would be phased out following the implementation of corporate tax in the UAE, although the timeline was previously unclear.



Emirate level taxation for branches of foreign banks

The Emirate of Dubai has recently issued an administrative decision on the emirate-level taxation of foreign bank branches in Dubai.

The official version is available only in Arabic.

Credit to be provided for taxes paid under Federal Decree Law No. 47 of 2022

According to the updated regulations, corporate tax paid at 9% can be offset against the tax liability under the emirate-level regulations at 20%, thereby eliminating double taxation.

Updated due dates

The decision has updated the provisions for the payment and filing of emirate tax returns. Payments are required to be made within three months after the end of the tax year, while tax returns and supporting documents must be submitted within nine months, aligning with the Federal corporate tax. This indicates that a pre-payment mechanism may be necessary for affected foreign banks.

Only Dubai and Sharjah have issued their updated emirate-level tax laws for foreign banks, with other Emirates expected to follow soon. The approaching year-end raised concerns about potential double taxation, with a 9% Federal CT on top of a 20% emirate-level CT, if new laws are not enacted in time.

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.

© 2025 BDO Chartered Accountants and Advisors. All rights reserved

