

BDO GCC Tax update

Q2 July 2025

Contents

THE KINGDOM OF BAHRAIN

- ▶ Domestic minimum top up tax 04
- ▶ Value added tax 05

KUWAIT

- ▶ Reporting deadlines & double tax treaty 06

THE SULTANATE OF OMAN

- ▶ Personal income tax 07

QATAR

- ▶ Income tax 08

KINGDOM OF SAUDI ARABIA

- ▶ Real Estate Transaction Tax (RETT) 10

UNITED ARAB EMIRATES

- ▶ Corporate tax 13
- ▶ Value added tax 20
- ▶ Transfer pricing 28
- ▶ Tax procedures, FTA decisions & public clarifications 31
- ▶ Penalties 33
- ▶ E-invoicing 34

KEY CONTACT INFORMATION

Introduction

BDO publishes a Gulf Cooperation Council (GCC) tax update on a quarterly basis, and we're delighted to share the Q2 2025 edition with you.

This update provides a summary of the region's tax news and key changes from this year's second quarter.

There is very interesting news from Oman this quarter, with the announcement that personal income tax will be introduced on 1 January 2028. This will make Oman the first GCC state to implement personal income tax.

Once again, most of the tax news this quarter comes from the **UAE** with an avalanche of new guidance and legislation. There are also big changes on the horizon with e-invoicing planned to be implemented from June 2026.

In **Qatar**, the enabling law for global minimum tax has been published. This is an important milestone for the country, bringing it into compliance with the OECD's Pillar Two framework. There is also news from Qatar of an important tax relief on capital gains, which will provide a benefit to restructuring activities and support companies listing on Qatar's financial markets.

Kuwait and **Qatar** have signed a double tax treaty, adding to the expanding network of bilateral tax agreements among GCC member states. The Kuwait Ministry of Finance has also published an update on certain reporting deadlines.

In **Bahrain**, there has been further progress with minimum top up tax, with the issue of a new fee structure for appeals and publication of an administrative guide. There is also new guidance on transfers of going concerns for VAT.

Real estate transfer tax dominates the tax news in **Saudi Arabia**, where important revisions to the legislation have been published.

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.



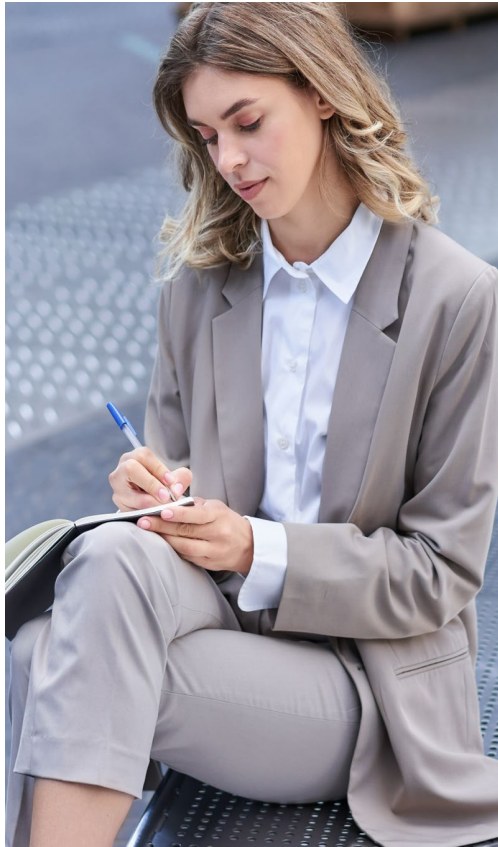
The Kingdom of Bahrain

DOMESTIC MINIMUM TOP UP TAX

Tax Appeal Fees

The Ministry of Finance and National Economy has formally instituted a fee structure governing tax appeals under the Domestic Minimum Top-up Tax (DMTT). Effective immediately, a fee of BHD 50 will be imposed for each request for review submitted to the National Bureau for Revenue (NBR), while a fee of BHD 100 will apply to each formal appeal lodged before the Tax Appeals Committee.

These fees are levied per decision or procedural matter, irrespective of whether multiple issues are consolidated within a single submission. This is part of Bahrain's commitment to creating a robust tax dispute resolution mechanism, fostering procedural discipline, and aligning with international standards of fiscal governance and transparency.



Publication of the DMTT Administrative Guide

On 15 May 2025, the NBR released the first edition of the Domestic Minimum Top-up Tax (DMTT) administrative guide. This covers operational, procedural, and compliance obligations for in-scope Multinational Enterprise (MNE) Groups exceeding the EUR 750 million consolidated revenue threshold, in accordance with OECD/G20 Pillar Two standards.

Key provisions include:

- ▶ Designation of a filing constituent entity domiciled in Bahrain: to be completed within 120 days from the commencement of the relevant fiscal year.
- ▶ Quarterly advance tax payments, calculated based on either current-year projections or prior-year actuals.

- ▶ Detailed guidance on annual and multi-year elections including those related to foreign exchange treatment, deferred tax adjustments: and loss carry forwards — all of which bear significant implications for the effective tax rate (ETR) computation.

The Guide mandates that all DMTT liabilities be assessed and settled in Bahraini Dinars (BHD), irrespective of the MNE Group's functional or reporting currency. Emphasis is placed on audit preparedness, requiring comprehensive documentation, rigorous recordkeeping, and the establishment of robust internal control frameworks.

Scope and Revenue Implications of DMTT

The Ministry of Finance has projected that approximately 300 multinational enterprise groups will be subject to the DMTT regime. The anticipated annual revenue yield is estimated to reach BHD 130 million.

The Kingdom of Bahrain continued

VALUE ADDED TAX



Amendment to VAT TOGC Guidelines

On 16 June 2025, the NBR issued version 1.1 of the VAT Transfer of a Going Concern (TOGC) Guide, introducing a clarification under Section 4.6. The update addresses scenarios where a VAT-registered natural person transfers their sole proprietorship into a newly incorporated entity.

Provided that the requisite notification is submitted to the NBR within the prescribed timeframe and all conditions under Article 12 of the executive regulations are satisfied, such a transaction may qualify as a TOGC. Failure to comply with these procedural requirements will result in the transaction being treated as a standard taxable supply, thereby subjecting each transferred asset to VAT.

Kuwait

REPORTING DEADLINES & DOUBLE TAX TREATY

REPORTING DEADLINES

The Kuwait Ministry of Finance (“MoF”) has recently issued a notification extending the Common Reporting Standard (“CRS”) reporting deadline for the 2024 calendar year to 17 August 2025. The original CRS reporting deadline was 31 May 2025.

There is no change to the FATCA reporting deadline, which remains 30 August 2025.

Additionally, the MoF has published the list of reportable jurisdictions for 2024 on its official website. The list currently includes 84 jurisdictions. Financial institutions in Kuwait are advised to monitor the list periodically, as updates may occur.



DOUBLE TAX TREATY

On 1 June 2025, as reported on the official website of the General Tax Authority of the State of Qatar, a double taxation avoidance agreement (the Treaty) was signed between the State of Kuwait and the State of Qatar. This Treaty marks a significant step in addressing double taxation and combating tax evasion between the two countries. The Treaty will help enhance cross border investments between the two countries by providing tax certainty and eliminating double taxation.

The Treaty will enter into force after the completion of domestic ratification and notification procedures.

The Sultanate of Oman

PERSONAL INCOME TAX



The Sultanate of Oman is set to become the first GCC state to implement personal income tax.

Personal Income Tax (PIT) Law, Royal Decree No 56/2025 will impose five percent tax on individuals whose annual income exceeds RO 42,000, with effect from 1 January 2028. The Executive Regulation of the Law attached to the decree will be issued within one year of the date of publication.

Under the income tax law, individuals earning more than RO 3,500 per month will be subject to tax at 5 percent, but only on the amount exceeding that threshold. The gross income for computing PIT will include cash amounts and in-kind benefits. Exemptions will include:

- ▶ Income earned outside the Sultanate of Oman for a period of two years;
- ▶ Income from the sale of a primary residence.
- ▶ Sale of a secondary residence (one time allowance).
- ▶ Inherited income and gifts.
- ▶ Income from industrial property rights for five years from the date of registration.
- ▶ Deductions of interest on financing the construction or purchase of a primary residence.
- ▶ Deductions for zakat, charitable donations and endowments.
- ▶ Deductions for education and health care expenses.

Qatar

INCOME TAX

Global Minimum Tax

On 27 March 2025, Qatar officially published Law No. 22 of 2024 in its Official Gazette, amending the Income Tax Law No. 24 of 2018. This legislation enacts the 15% global minimum tax and will ensure that multinational enterprise (MNE) groups operating in Qatar are taxed fairly and consistently.

Key Provisions:

- ▶ **Income Inclusion Rule (IIR):** Applies to Qatar-based parent entities to top up tax on low-taxed foreign subsidiaries.
- ▶ **Domestic Minimum Top-up Tax (DMTT):** Guarantees a 15% effective tax rate for MNEs' excess profits, regardless of existing incentives.

The law applies to MNEs with €750 million, plus in consolidated revenue in at least two of the last four fiscal years and covers entities licensed under QFC, QFZA, QSTP, and QMC. It references the OECD's GloBE Rules, Commentary, and Administrative Guidance, and includes financial penalties and a transitional penalty relief regime to support implementation.



Double tax treaties

The State of Kuwait and the State of Qatar have officially entered into a Double Taxation Treaty (DTT).

This agreement represents a significant step toward strengthening fiscal cooperation within the Gulf Cooperation Council (GCC) and aligns with broader efforts to enhance economic integration across the region.

The objectives of the treaty include:

- ▶ The elimination of double taxation on income and capital gains
- ▶ Increased legal and tax certainty for cross-border investments
- ▶ Promotion of bilateral trade and economic collaboration
- ▶ Improved transparency and mechanisms for the exchange of tax information.

Benefits for taxpayers may include potential tax relief for qualifying cross-border transactions, streamlined tax compliance procedures for entities operating in both jurisdictions, enhanced investor confidence and protection from tax-related disputes.

This DTT adds to the expanding network of bilateral tax agreements among GCC member states and reflects both countries' continued commitment to international tax standards and contributes to the formation of a more cohesive and competitive GCC economic bloc.

Qatar continued

INCOME TAX

Capital gains

In a Cabinet session chaired by HE Prime Minister and Minister of Foreign Affairs Sheikh Mohammed bin Abdulrahman bin Jassim Al-Thani, a draft resolution was approved granting capital gains tax relief for certain intra-group corporate restructurings. The measure aims to streamline restructuring activities and support companies in listing on Qatar's financial markets.

The types of transactions eligible for this tax benefit include:

- ▶ Disposal of assets during a restructuring aimed at contributing to the capital of a resident holding company
- ▶ Disposal of assets carried out as part of a domestic merger or demerger
- ▶ Disposal of assets linked to restructuring efforts intended to support listing on the national financial market
- ▶ Asset swaps conducted within the scope of internal restructuring among resident companies
- ▶ Asset revaluations made in preparation for in-kind contributions to locally based companies

Specific conditions and documentation are required to qualify for this relief.



With the enactment of the Global Minimum Tax, the rollout of capital gains tax relief, and the signing of the Qatar-Kuwait DTT, Qatar is proactively shaping its future as a regional hub for investment, transparency, and international cooperation. These reforms signal a long-term commitment to fostering sustainable growth, business agility, and tax fairness within and beyond its borders.

Kingdom of Saudi Arabia

REAL ESTATE TRANSACTION TAX (RETT)

Implementing Regulations

On the 9 April 2025; The Board of the Zakat, Tax, and Customs Authority (ZATCA) approved and issued new implementing regulations for the Real Estate Transaction Tax (RETT). This follows the enactment of the updated RETT Law and a public consultation held in February 2025.

The new regulations came into effect on 9 April 2025. Key highlights are set out in the table opposite and below.



Scope of RETT “Article 2/a-b”

The 5% Real Estate Transaction Tax (RETT) rate applies to all real estate disposals, except for specific exemptions or exclusions. The tax base includes any movable that is placed in real estate and is intended for the permanent service or exploitation of the real estate, even if it is not permanently affixed to it. Furthermore, it encompasses all principal or accessory real rights associated with the real estate

Disposal of shares in a Real Estate Company - the 30% rule “Article 2/t”

The disposal of shares in real estate companies is typically classified as a real estate transaction. However, new regulations now provide an exemption for the sale of shares when a person or group, acting under an agreement or understanding, transfers less than 30% of their shares in one or more related transactions within any three-year period. This period begins once that person or group has acquired 30% or more ownership in the real estate company.

Exclusions from RETT scope “Article 2/y & k”

The new regulations introduce further exclusions from the Real Estate Transaction Tax (RETT) beyond the previously mentioned 30% rule. These exclusions include the acquisition of shares related to capital increases and the division of property among initial owners without any payment. However, these exclusions must meet specific conditions.

Additionally, the regulations clarify the concept of one-time taxation, which applies when there is a connection between the parties involved, the property itself, and the transaction value. This principle is especially relevant in the context of Ijara and Murabaha transactions.

Kingdom of Saudi Arabia continued

REAL ESTATE TRANSACTION TAX (RETT)



Exemptions

“Article 3”

Most of the exemptions from the previous RETT Implementing Regulations have been maintained. ZATCA has also provided further clarification on existing exemptions for the following transactions:

- ▶ Transfers of real estate to public entities and projects that benefit the public.
- ▶ Governmental transfers.

Additionally, new exemptions have been introduced for:

- ▶ Mergers and acquisitions.
- ▶ Subscriptions to publicly offered securities of real estate companies.
- ▶ Trading of both listed and unlisted securities and units.
- ▶ Forced sales in liquidation.

Some of these exemptions come with strict conditions outlined in the Implementing Regulations. It is essential to review these conditions carefully to avoid the risk of losing the exemption and triggering a tax clawback.

Tax payment due date

“Article 5”

Similar to the previous RETT regulations, the tax must be paid within 30 days of the transaction date or the date of signing an unconditional agreement to transfer shares. The new regulations also outline payment deadlines for other situations, such as breaches of exemption conditions, non-notarised transactions, and off-plan sales.

Kingdom of Saudi Arabia continued

REAL ESTATE TRANSACTION TAX (RETT)

Sham or Concealed Transactions and RETT Reassessment “Article 6”

ZATCA has provided clarification on what qualifies as a sham transaction and how RETT will be evaluated in these instances. ZATCA reserves the right to verify the value of a real estate transaction and may reassess it based on fair market value if the declared value is considered to be below market value, or if the value is unspecified or undisclosed.

Responsibility of RETT payment “Article 7”

According to the new regulations, the seller (disposer) is primarily responsible for remitting the due Real Estate Transfer Tax (RETT) to ZATCA. However, the buyer (recipient) could also be held jointly liable if there is evidence that they were involved in the failure to pay the tax (totally or partially).

Refund “Article 9”

A new article has been released detailing the RETT refund process. Refunds can be claimed for excess or incorrect payments, including transactions that are incomplete or cancelled.

Objections and appeals “Article 13”

The new regulations outline the specific rules and procedures for filing objections and appeals, as governed by the provisions outlined in the Rules of the Zakat, Tax, and Customs Committees, along with any relevant subsequent regulations. In certain situations, ZATCA may also require a cash or bank guarantee equivalent to the unpaid RETT and any associated fines.

Statute of limitation and penalties “Article 14/1 & 2”

ZATCA can verify the transaction value and reassess RETT within three years for transactions reported before the new regulations took effect.



United Arab Emirates

CORPORATE TAX

Top-up tax

The Ministry of Finance ('MoF') has issued Ministerial Decision No. (88) of 2025, incorporating OECD guidance and commentaries to support the interpretation of Cabinet Decision No. 142 of 2024 on the Imposition of top-up tax on multinational enterprises (MNEs). The decision outlines the key documents (see opposite) that will be adopted for the interpretation of the UAE domestic minimum top-up tax (DMTT) regulations:



1. OECD (2024), Tax Challenges Arising from the Digitalisation of the Economy - Consolidated Commentary to the Global Anti-Base Erosion Model Rules (2023): Inclusive Framework on BEPS, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris.
2. OECD (2024), Tax Challenges Arising from the Digitalisation of the Economy - Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), June 2024, OECD/G20 Inclusive Framework on BEPS, OECD, Paris
3. OECD (2025), Tax Challenges Arising from the Digitalisation of the Economy - Administrative Guidance on the Global Anti-Base Erosion Model Rules -Central Record, OECD/G20 Inclusive Framework on BEPS, OECD, Paris.
4. OECD (2025), Tax Challenges Arising from the Digitalisation of the Economy - Administrative Guidance on Article 8.1.4 and 8.1.5 of the Global Anti-Base Erosion Model Rules (January 2025), OECD/G20 Inclusive Framework on BEPS, OECD, Paris.
5. OECD (2025), Tax Challenges Arising from the Digitalisation of the Economy - Administrative Guidance on Article 9.1 of the Global Anti-Base Erosion Model Rules, OECD/G20 Inclusive Framework on BEPS, OECD, Paris.
6. 6. OECD (2025), Tax Challenges Arising from the Digitalisation of the Economy - GloBE Information Return (January 2025), OECD/G20 Inclusive Framework on BEPS, OECD, Paris
7. This decision broadens the analytical framework and assists in the interpretation of Pillar II regulations. The decision takes effect on 1 January 2025.

United Arab Emirates continued

CORPORATE TAX

Qualifying investment funds

The MoF has issued a new decision to clarify the corporate tax treatment of qualifying investment funds (QIFs) such as real estate investment trusts (REITs) and qualifying limited partnerships (QLPs). This decision repeals Cabinet Decision No. 81 of 2023. The repeal will take effect for tax periods commencing on or after 1 January 2025.

These amendments aim to provide relief to QIF investors and limited partnerships and offer clearer guidance on the formation of Nexus in the UAE for non-resident investors.

The table below compares the rules introduced by the new decision [CD No. 34 of 2025] to the earlier decision [CD No. 81 of 2023]:

	Condition	CD No. 81 of 2023	CD No. 34 of 2025	BDO Comments
Conditions to exempt a QIF				
1	Regulatory Oversight Condition	✓	✓	Condition retained to make it clearer that QIF status is available to the funds legally established in the UAE
2	Fund Ownership Condition	✓	✓	Condition retained
3	Main Purpose Condition	✓	✓	Condition retained
4	Investment Business Condition	✓	✓	Condition retained
5	Diversity of Ownership Condition (A single investor (including related parties) should not hold more than 30% ownership interests where there are less than 10 investors or not more than 50% ownership interests in other cases)	✓	✗	This condition has been moved from one of the conditions to claim QIF to a condition for taxation of an investor's income
6	Investment Manager Condition	✓	✗	This condition has been relaxed
7	Independence Condition	✓	✓	Condition retained
8	Make available Information	✗	✓	Condition introducing additional obligations where a QIF is now required to provide its investors with all information, documents and data necessary for the purposes of calculating their taxable income adjusted pursuant to this decision

United Arab Emirates continued

CORPORATE TAX

	Condition	CD No. 81 of 2023	CD No. 34 of 2025	BDO Comments
Conditions to exempt a QIF				
1	Diversity of Ownership Condition	✗	✓	This condition has been moved from one of the conditions to claim QIF to a condition for taxation of investor's income. The decision provides for taxation of prorated net profits for investors where diversity of ownership requirements is not met. Further, the decision extends the diversity of ownership beyond mere shareholding to include voting rights, control over the composition of the board, a right to profits and significant influence.
2	Initial Year Exception	✗	✓	Condition introducing further relaxation beyond the initially available 2 financial years to meet the diversity of ownership requirements in situations where the reason for not meeting the diversity is outside the control of QIF or its investors for not more than 90 days during a financial year or in the case of liquidation of the QIF.



United Arab Emirates continued

CORPORATE TAX

	Condition	CD No. 81 of 2023	CD No. 34 of 2025	BDO Comments
Conditions to exempt a QIF				
1	Minimum Real Estate assets value condition	✓	✓	Condition further clarifies that the value of real estate assets would also include the real estate assets under the management or ownership of exempt persons wholly owned and controlled by the REIT.
2	Restriction to REITs and related parties/connected persons	✗	✓	Where a REIT applies for exemption by meeting the criteria of floating 20% of shares on a recognised stock exchange, the floated shares should not be subscribed or purchased by the REIT or its related parties or connected persons.
3	Make available Information	✗	✓	A REIT is now required to provide its investors with all information, documents and data necessary for the purposes of calculating their taxable income adjusted under this decision



United Arab Emirates continued

CORPORATE TAX

The decision also introduces new provisions pertaining to limited partnerships and the taxability of immovable property for QLPs and REITs. We have summarised the key provisions below:

Qualifying Limited Partnerships

The decision introduces a framework for granting a QLP an exemption from corporate tax. A QLP can make an application for exemption on satisfaction of all the following conditions:

1. Its sole purpose must be collective investment
2. It must be a legal person established under a legal framework that explicitly allows for the establishment of such partnerships on or before 1 June 2023
3. It must conduct investment business; and any other business activities must not exceed 5% of total revenue
4. It must not earn income from UAE immovable property
5. Avoiding corporate tax must not be the reason for its formation

The decision extends this exemption to legal persons wholly owned and controlled by a subject to additional conditions.

Where an exemption is granted to a QLP, the income is taxed at investor level.

If an application is not made, or the conditions are not met, exemption will not be allowed for the current and subsequent four tax periods.



Real Estate Investment Trusts

The decision provides for the taxation of immovable property income in the hands of the investor (being a legal person) to the extent of 80% of such income and prorated to the ownership interest held by the investor.

Income from immovable property should be prorated based on the following factors:

- ▶ The investor's Tax Period
- ▶ The period in which 80% or more of such income is distributed
- ▶ The holding period of ownership interest where there is no distribution

The decision also provides guidance on deduction and subsequent inclusion of depreciation on investment property held at fair value by a QIF to the investor's income.

United Arab Emirates continued

CORPORATE TAX

Audited financial statements for the purpose of corporate tax

The MoF has issued Ministerial Decision No. 84 of 2025, updating the audit requirements for corporate tax. This new decision repeals Ministerial Decision No. 82 of 2023, which will remain applicable to tax periods commencing prior to 1 January 2025. The key changes are as follows:

The following persons are required to maintain audited financial statements:

- ▶ Taxable persons (not part of Tax Group) with annual revenues exceeding AED 50 million.
- ▶ Qualifying free zone persons (QFZPs), irrespective of revenue.

Tax Groups are required to prepare and maintain audited special purpose financial statements in accordance with the form, procedures and rules specified by the FTA (yet to be prescribed).

The decision also confirms that:

- ▶ A QFZP engaged in the activity of distribution of goods or materials in or from a designated zone must comply with any additional procedures prescribed by the FTA (yet to be prescribed).
- ▶ For the purpose of calculating revenue threshold for a non-resident person, only revenue derived through a permanent establishment and/or nexus in the State should be included.

Unincorporated Partnership and real estate investment trusts

The MoF has published Cabinet Decision No. 55 of 2025 which grants exemption to taxable persons incorporated or established under the applicable laws of a foreign jurisdiction, provided they are wholly owned and controlled by one of the following exempt persons:

- ▶ A government entity
- ▶ A government-controlled entity
- ▶ A qualifying investment fund
- ▶ A public pension or social security fund, or a private pension or social security fund that is subject to regulatory oversight by the competent authority in the UAE.

There are also detailed conditions regarding the activities that the taxable person carries out.

Unincorporated Partnerships

The MoF has issued Cabinet Decision No. 63 of 2025 clarifying the corporate tax implications for Unincorporated Partnerships. Under the decision, once the Federal Tax Authority (FTA) approves the registration application submitted by the partners of an unincorporated partnership it will be recognized as a juridical person and a resident person for UAE corporate tax purposes.

This has important implications for how such entities are taxed and regulated and reinforces the need for partners to ensure timely and accurate registration with the FTA.

United Arab Emirates continued

CORPORATE TAX

Real Estate Investment Trusts

Ministerial Decision No. 96 of 2025 introduces a temporary relaxation in the listing requirements for Real Estate Investment Trusts on a recognised stock exchange.

Under this decision, REITs listing their shares for the first time between 1 May 2025 and 31 May 2025 are required to float a minimum of 10% of their shares, as opposed to the 20% threshold previously mandated by Cabinet Decision No. 34 of 2025.

This regulatory flexibility is aimed at enhancing market access and encouraging broader participation in the real estate investment sector during the specified period

Interest deduction limitation

The FTA has released a guide (CTGIDL1) on the interest deduction limitation rules. This provides detailed guidance on the deductibility of Interest expenditure while calculating the taxable Income.

The guide covers the following topics:

- ▶ The meaning of Interest for corporate tax
- ▶ The application of the general interest deduction limitation rule and the specific interest deduction limitation rule,
- ▶ Carry forward and utilisation of disallowed net interest expenditure, and
- ▶ Interaction of the interest limitation rules with other provisions of the corporate tax law.

The Guide further expands upon various other types of items that might have an interest element or be treated as interest for the purpose of Ministerial Decision 126 including capitalised interest, foreign exchange gains and losses, hybrid instruments, late payment, amounts incurred in connection with:

Additional points

The guide confirms that the General Income Deduction Limitation Rule (GIDLR) exception excludes treasury functions, captive insurers,

quasi-banking entities, and all investment vehicles—regardless of regulatory status.

Amendments to pre-9 December 2022 debt terms—such as rate or security changes—disqualify related net interest expenses from the GIDLR exception.

Entities executing qualifying infrastructure projects under Article 14 of MD 126 benefit from the GIDLR exception—but net interest on non-qualifying projects remains subject to GIDLR.

Qualifying infrastructure project persons under Article 14 of MD 126 enjoy the GIDLR exception—but any net interest from non-qualifying projects remains subject to GIDLR.

Even if the net interest expenditure is covered by GIDLR exception, the general expense deductibility and SIDLR criteria are still required to be met.

When an exempt person incurs interest on both exempt and taxable business activities, it must be apportioned—with deductions allowed only for taxable portions, unless

GIDLR and SIDLR criteria are met.

Resident taxable persons with revenue under AED 3 million can opt for small business relief, but net interest expenses during the relief period (ending 31 Dec 2026) are non-deductible and cannot be carried forward.

Taxable persons earning less than AED 3 million may adopt cash accounting, recognizing interest expenses only upon payment—and only if GIDLR and SIDLR conditions are satisfied.

GIDLR applies to taxable income of non-residents linked to a UAE PE or nexus—but not to state sourced income of non-resident persons.

If a non-resident person loses taxable presence in the UAE, any unused net interest expenditure lapses upon de-registration and cannot be revived even if taxable presence is re-established later.

United Arab Emirates

VALUE ADDED TAX

The Federal Tax Authority (FTA) has released several key VAT public clarifications, providing detailed guidance on various aspects of VAT compliance during the second quarter of 2025.

Below is a summary of the clarifications released by the FTA:

VATP039 - Crypto Currency Mining

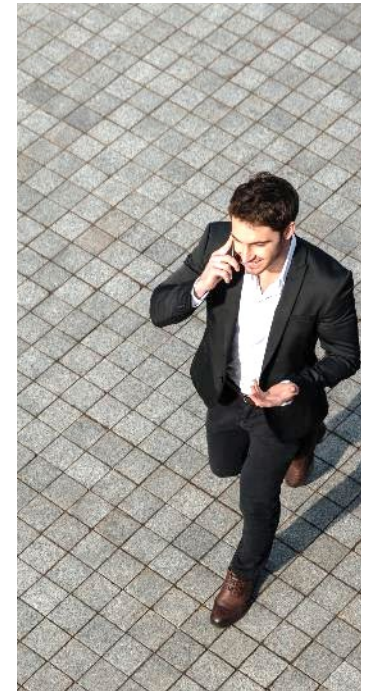
The Public clarification VATP039 provides guidance on the VAT treatment of cryptocurrency mining. The VAT treatment for Cryptocurrency mining varies if the mining is undertaken by a person on his own account and for another person.

- ▶ Mining for own account: Individuals or entities mining cryptocurrency for personal use are not considered to be making a taxable supply. Therefore, the reward “earned” from cryptocurrency mining is not directly consideration for a taxable supply. The reward is not paid by an identifiable person but rather allocated by the network, the mining activity is not considered a taxable supply.
- ▶ Mining on behalf of others: When a person mines cryptocurrency on behalf of another person for a fee, this is considered to be provision of services and taxable under UAE VAT. The VAT treatment is determined based on the location of the supplier and recipient of services.
- ▶ Applicability of reverse charge mechanism (RCM): The provisions of RCM equally apply where a UAE business receives mining services from a non-resident (import of services). If the UAE business is VAT registered, it must apply the reverse charge mechanism and self-account for VAT. If the business is not VAT registered, the non-resident supplier is required to register for VAT in the UAE and charge VAT on the services provided.
- ▶ Input tax recovery: Entities engaged in commercial mining activities may recover input VAT on expenses incurred for making taxable supplies, provided they hold valid tax invoices and meet other conditions.

BDO Comments:

Cryptocurrency transactions continue to grow globally and, in the UAE, the FTA has recently updated the VAT Executive Regulations to determine taxability of virtual asset transactions. This public clarification has articulated the distinction in taxability based on whether the activity of mining cryptocurrencies is carried out for one’s own account or others, for a fee.

A clear segregation between personal and commercial crypto mining activities should be maintained to avoid uncertainty of treatment.



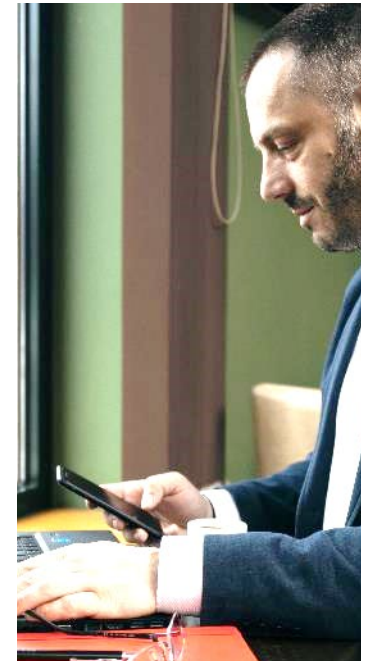
United Arab Emirates continued

VALUE ADDED TAX

VATP040 - Amendments to the Executive Regulation of Federal Decree - Law No. 8 of 2017 on Value Added Tax - Cabinet Decision No. 100 of 2024

Public Clarification VATP040, issued on 14 March 2025, provides detailed guidance on the amendments to the VAT Executive Regulations introduced by Cabinet Decision No. 100 of 2024, effective from 15 November 2024. The clarification includes:

- ▶ **Single Composite Supply** - The FTA now requires that for a supply to be considered a single composite supply under Article 4(4), the components must not be separately priced or identified in contracts or invoices. If individual prices are specified, the supply is treated as multiple supplies, regardless of other criteria.
- ▶ **Deemed Supply Exceptions** - The threshold for deemed supply exceptions has been clarified. If the total output tax exceeds AED 2,000 over a 12-month period, only the amount exceeding AED 2,000 is considered payable tax.
- ▶ **Zero-rating of goods**: The export of goods is eligible for zero-rating on satisfaction of certain conditions. One of these conditions is maintenance of official and commercial evidence. The FTA has expanded the scope of official and commercial for claiming the zero-rating benefit for export of goods (both direct and indirect export).
- ▶ **Zero-rating of services**: The recipient's presence in the UAE during a rolling 12-month period is to be considered to determine if the recipient is regarded as being "outside the UAE" at the time the services are rendered.
- ▶ **International Transportation Services** - Domestic transportation of goods as part of an international transport service can be zero-rated if supplied by the same supplier providing the international transport service. Subcontracting the domestic leg to a different supplier does not qualify for zero-rating as international transportation services.



United Arab Emirates continued

VALUE ADDED TAX

VATP040 - Amendments to the Executive Regulation of Federal Decree - Law No. 8 of 2017 on Value Added Tax - Cabinet Decision No. 100 of 2024 **continued**

- ▶ Qualifying Means of Transport - Ships used for commercial purposes but not primarily for transporting goods or passengers (e.g., fishing vessels, drilling ships) do not qualify as a means of transport for zero-rating purposes.
- ▶ Services Related to Means of Transport - Services must be supplied directly in connection with the qualifying means of transport and for the purposes of operating, repairing, maintaining, or converting the means of transport to qualify for zero-rating. For example, cleaning a hangar where an aircraft is stored does not qualify for zero-rating.
- ▶ Exempt Financial Services
 - ▶ Virtual Assets: The transfer and conversion of virtual assets are exempt from VAT, effective retroactively from 1 January 2018
 - ▶ Fund Management: Management of investment funds licensed by a competent authority in the UAE is now exempt from VAT.
- ▶ Non-Recoverable Input Tax (Medical Insurance) - VAT incurred on health insurance provided to employees and their families (one spouse and up to three children under 18) is recoverable, regardless of legal obligation. This applies only from 15 November 2024 and is not retrospective.
- ▶ Apportionment of Input Tax - The clarification confirms that input tax apportionment calculation should be performed as per the input tax apportionment guide published by the FTA.
- ▶ Tax Invoices - Simplified tax invoices are not permitted when the reverse charge mechanism applies. The recipient must issue a full tax invoice unless an administrative exception is approved by the FTA

BDO Comments:

The recent amendment to the VAT Executive Regulation, along with the subsequent public clarification, represents one of the most significant changes to the VAT Law since its initial implementation. Businesses are strongly advised to conduct a thorough review of the amendment's impact to ensure full compliance with the VAT Law.



United Arab Emirates continued

VALUE ADDED TAX

VATP041 - Swift Messages

VATP041 replaces VATP036 and provides detailed guidance on two points - the requirement to issue a tax invoice and input VAT recovery documentation.

- ▶ Self-invoicing requirement: Financial institutions are required to self-issue tax invoices for SWIFT transactions under the reverse charge mechanism. However, the SWIFT Message will be accepted as a sufficient record to establish the particulars of the supply, provided they are a “Qualifying SWIFT Messages”.
- ▶ Qualifying SWIFT Messages: To qualify, the SWIFT message must include the following information:
 - ▶ Name and address of the bank outside the UAE (SWIFT sender/supplier).
 - ▶ Name of the UAE Financial Institution receiving the Service (SWIFT receiver/customer).
 - ▶ Date of the transaction.
 - ▶ Swift message reference number.
 - ▶ Transaction reference number.
 - ▶ Description of the transaction.
 - ▶ Consideration charged and currency used.
- ▶ Input VAT recovery: VAT on SWIFT-related services can only be recovered if:
 - ▶ The supply is used for making taxable supplies.
 - ▶ Qualifying SWIFT Message issued by the banks outside the UAE or self-tax invoice is retained.
- ▶ Documentary requirements: All documentation (Qualifying SWIFT Messages, self-issued invoices, or supporting records) must be retained for at least 5 years, in accordance with UAE VAT Law.

BDO Comments:

Financial institutions are advised to strengthen controls around the SWIFT messages received as valid documentation for VAT and ensure there are processes in place for self-invoicing, where needed.



United Arab Emirates continued

VALUE ADDED TAX

VATP042 - Value of Supply - Barter Transactions

The value of the supply under UAE VAT is the consideration less the tax amount. However, in the case of barter transactions i.e. transactions which involve the exchange of goods and/or services, the value of supply will be the market value of the non-monetary consideration. The clarification explains the principles to be followed for determination of market price in the following sequence:

1. Open Market Value- the monetary consideration which the supply would generally achieve if supplied in similar circumstances at that date in the UAE and provided the supply is freely made between persons who are not connected in any manner.
2. Comparable Independent Supply- the monetary consideration which a similar supply would achieve if supplied in similar circumstances at that date in the UAE, being a supply freely offered and made between persons who are not connected in any manner.
3. If the market price of the non-monetary consideration cannot be determined under Point 1 and 2 above, then the market price is the replacement cost of identical goods or services with such a supply being made between persons who are not connected in any manner.

Each party must issue a Tax invoice and account for VAT on the value of their respective supply. Also, proper documentation must be maintained to support the valuation and VAT treatment.

BDO Comments:

Businesses undertaking barter transactions must maintain evaluate the valuation adopted for VAT and the documentation maintained to support VAT positions.



United Arab Emirates continued

VALUE ADDED TAX

VATP043 - Application of the Reverse Charge Mechanism on Precious Metals and Precious Stones between Registrants in the State for the purposes of Value Added Tax

The Public clarification VATP043 replaces the clarification VATP032 from 26 February 2025 with the release of Cabinet Decision No. 127 of 2024.

VATP043 provides guidance on the application of the reverse charge mechanism (RCM) to domestic supplies of the following precious metals and precious stones within the UAE provided that the value of such precious metals or precious stones is higher than the value of other components.

- ▶ precious metals - gold, silver, palladium, and platinum; and
- ▶ precious stones - diamonds (natural and manufactured/ synthetic), pearls, rubies, sapphires, and emeralds.

The reverse charge mechanism applies only when all the following conditions are met:

- ▶ The recipient is registered for VAT in the UAE.
- ▶ The recipient acquires the goods for the purpose of resale or manufacturing.
- ▶ The recipient provides the supplier with a written confirmation stating the above prior to the date of supply.
- ▶ Prior to the date of supply, the supplier must receive and keep the declaration from the recipient and verify that the recipient is registered for VAT.
- ▶ The supplier must retain evidence of the confirmation from the TRN verification tool.



United Arab Emirates continued

VALUE ADDED TAX

VATP043 - Application of the Reverse Charge Mechanism on Precious Metals and Precious Stones between Registrants in the State for the purposes of Value Added Tax **continued**

If these conditions are satisfied, the supplier does not charge VAT, and the recipient is responsible for accounting for it under the reverse charge mechanism.

The domestic RCM is not applicable in the following cases:

- ▶ The items supplied do not meet the definitions of “goods” as defined in the UAE VAT Law.
- ▶ The recipient is not VAT-registered in the UAE.
- ▶ The goods are acquired for personal use, investment, or any non-commercial purpose.
- ▶ The supplier does not receive the required written confirmation from the recipient.

In such cases, the supplier must treat the transaction as a normal taxable supply and charge VAT at the standard rate.

The public clarification also addresses the VAT treatment of making/ manufacturing charges in transactions involving precious metals and stones, which are commonly incurred when raw or semi-finished precious materials are transformed into finished products (e.g., jewellery manufacturing).

The VAT treatment will be dependent on whether the supply constitutes a single composite supply of a Precious Good or multiple supplies consisting of both the Precious Good and Making Services. Where the supply of goods and making charges constitute as a single composite supply, the entire value for supply will be subject to VAT under reverse charge mechanism. However, if the supplies are considered as multiple supplies, the making charges will be subject to VAT at standard rate (and not under taxable under RCM).

BDO Comments:

Suppliers and recipients dealing in precious metals/ stones should formalise written confirmations to correctly apply reverse charge and prevent VAT risks.



United Arab Emirates continued

VALUE ADDED TAX

VATP044 - Concerned Services - Accounting for Output Tax, issuing Tax Invoices, and Input Tax recovery

The Public clarification provides guidance on the requirement to issue Tax invoice on import of concerned services in the UAE.

The recipient is usually required to issue a tax invoice to itself on import of services unless the FTA has granted an administrative exception allowing them not to issue a Tax invoice.

Considering the administrative burden associated with issuing tax invoices and in cases where the recipient retains the original invoice issued by the overseas supplier containing sufficient details, the FTA has accepted that the Recipient is not required to issue a tax invoice to itself.

In exceptional cases where the overseas supplier does not issue an invoice, alternative documentation containing specific information (such as supplier details, service description, invoice and service provision date, and consideration) can be treated as the supplier's invoice for VAT purposes.

Input VAT recovery on such services is permitted to the extent that the services are used for taxable supplies, provided that the recipient retains the relevant supplier's invoice or acceptable alternative documents. For all other cases, the importer of the services will be required to issue a self-tax invoice.

BDO Comments:
Importers of services are recommended to establish processes to capture essential invoice details to meet documentation requirements under reverse charge.



United Arab Emirates

TRANSFER PRICING

Mutual Agreement Procedure (MAP) for Double Taxation Disputes

On 24 June 2025, the UAE Ministry of Finance released guidance on the Mutual Agreement Procedure (MAP), a dispute resolution mechanism available under the UAE's network of double tax avoidance agreements (DTAs). The guidance outlines the scope, conditions, filing process, and resolution framework for taxpayers seeking relief from double taxation.

Applicability of MAP

MAP is intended to resolve cases of double taxation that arise due to the application of tax laws in two or more jurisdictions. Situations where MAP may be invoked include:

- ▶ Adjustments to transfer pricing by UAE or foreign tax authorities without corresponding relief;
- ▶ Conflicts in determining a taxpayer's residence under the relevant DTA;
- ▶ Attribution of profits to a permanent establishment in another jurisdiction.
- ▶ Denial of treaty benefits under anti-abuse provisions.

The guidance also allows for multilateral MAP claims where more than two jurisdictions are involved. Notably, MAP relief may also be available for self-initiated transfer pricing adjustments, provided they result in double taxation.

The UAE Competent Authority (CA) will not deny MAP access solely on the grounds that a taxpayer has previously waived such rights during a foreign tax audit or settlement.



Time limits and interaction with domestic procedures

A MAP request must be filed within three years from the date on which the taxpayer first receives notification of the action leading to double taxation. Taxpayers are permitted to initiate a MAP claim while pursuing domestic remedies, but they must suspend local proceedings during the MAP process.

If a taxpayer accepts the resolution under MAP, any domestic legal action concerning the same issue must be withdrawn. Conversely, if the MAP outcome is not accepted, the taxpayer is free to continue with or resume domestic proceedings. Where a final judgment is issued by a UAE court or the Tax Dispute Resolution Committee, the UAE CA is bound by it, and any further relief must be obtained through the CA of the other contracting state.

United Arab Emirates continued

TRANSFER PRICING

Filing a MAP Claim

To submit a MAP request, taxpayers must provide specific information, including identification details, a summary of the issue, fiscal years affected, and references to the relevant DTA provisions. In transfer pricing cases, the claim must include related-party information, transfer pricing documentation (Local File and Master File), and any correspondence with foreign tax authorities.

Other required documentation may include prior rulings, residency certificates, details of past MAP requests, evidence of permanent residence (for individuals), and any prior settlements that could impact the process.

Submissions must be in English or Arabic and may address multiple tax years, if the issue spans several periods. MAP claims are to be sent to the UAE CA at uaemap@mof.goc.ae

Review and resolution process

On receipt of the MAP application, the UAE CA will assess whether the submission is complete, timely, and whether the taxpayer's objections are substantiated.

The CA aims to communicate its decision on whether the claim is accepted within two months of submission.

If the claim is accepted and the objection is considered valid, the UAE CA will first explore the possibility of providing relief unilaterally. If this is not feasible, the matter proceeds to bilateral discussions with the CA of the other jurisdiction. These negotiations begin with an exchange of position papers based on the taxpayer's submitted information.

While taxpayers are not directly involved in the negotiations, they may be invited to present factual clarifications to ensure both authorities have a common understanding of the case. The UAE CA aims to resolve MAP cases within approximately 24 months from the date of acceptance, subject to the taxpayer's timely cooperation.

MAP Outcomes

- ▶ **Agreement Reached:** If a mutual agreement is reached between the CAs, the UAE CA will notify the taxpayer. The taxpayer must respond within one month, either accepting or rejecting the outcome. Acceptance requires formal withdrawal from any related domestic proceedings and submission of a voluntary disclosure to the FTA for implementation.
- ▶ **Rejection by Taxpayer:** If the taxpayer declines the agreement, the MAP claim is considered closed, and the taxpayer may pursue or resume other legal remedies.
- ▶ **No Agreement:** If no resolution is reached, the UAE CA will close the case and inform the taxpayer, outlining the reasons an agreement could not be achieved.

Withdrawal of MAP Claim

Where the relevant DTA includes an arbitration clause, unresolved MAP cases may be referred to arbitration if:

- ▶ The time limit for MAP resolution (as per the treaty) has expired;
- ▶ No final court or tribunal decision exists in either jurisdiction; and
- ▶ The taxpayer formally requests arbitration.

Depending on the treaty, arbitration may be mandatory or optional and may be initiated by either CA or the taxpayer.

United Arab Emirates continued

TRANSFER PRICING

Penalties and tax payments during MAP

Where a MAP agreement results in an adjustment to tax liabilities, related penalties will also be adjusted in line with the outcome, provided the penalties relate to the reassessed corporate tax liability. However, penalties linked to non-compliance with domestic law requirements (e.g., failure to maintain documentation or CT registration) are not subject to MAP relief. In such cases, taxpayers may apply for penalty waivers or reductions under UAE domestic laws.

Tax payments are not suspended while a MAP case is ongoing. If the MAP agreement reduces or cancels a tax liability, any excess tax paid will be refunded or credited through standard procedures with the FTA. If no MAP agreement is reached, the original tax and penalties remain payable, unless alternative domestic relief is available.



BDO Comments

The MoF's release of detailed guidance on the MAP process is a welcome move that brings much-needed clarity and confidence for taxpayers dealing with cross-border tax issues. Taxpayers should carefully consider the MAP process as a viable mechanism to mitigate the risks and costs associated with double taxation, particularly in complex transfer pricing matters. Proactive engagement with the CA and timely submission of complete and accurate documentation will be critical to maximising the benefits of the MAP framework.

United Arab Emirates

TAX PROCEDURES, FTA DECISIONS AND PUBLIC CLARIFICATIONS

Unincorporated partnerships, foreign partnerships and family foundations

On 10 June 2025, the FTA issued Decision No. 5 of 2025, which will be effective from 1st July 2025.

Eligibility criteria and registration timeline for Unincorporated Partnerships.

Where the partnership is not treated as a taxable person in its own right, the partners must appoint one individual to serve as the *authorised partner*, empowered to act on behalf of all partners.

The Article sets out the deadlines for submitting an application to the Federal Tax Authority (FTA) to obtain a Tax Registration Number, as detailed in the table below.

Sr.	Financial Year end	Timeline
1	Prior to 01 st July 2025	On or before 31 st August 2025
2	On or after 01 st July 2025	3 months from the end of the financial year

Annual compliance, registration and de-registration

The authorised partner of the unincorporated partnership will be responsible for submitting the annual declaration on behalf of all partners.

The Decision outlines the timeline for filing the annual declaration and settling the corresponding corporate tax payable.

Sr.	Financial Year end	Timeline
1	On or before 31 st March 2025	31 st December 2025
2	After 31 st March 2025	9 months from the end of the financial year



The timeline for submission of a de-registration application must not exceed three months from the date of cessation of the business or business activity.

Application for an unincorporated partnership to be a Taxable Person

Partners of an unincorporated partnership may apply for the entity to be treated as a taxable person, provided the application is submitted before the end of the partnership's financial year. If approved by the Federal Tax Authority (FTA), the partnership will be recognized as a taxable person either from the beginning of the tax period in which the application was submitted or from the start of the subsequent tax period, as indicated in the application.

Foreign partnerships

A taxable person who is a partner in a foreign partnership is required to submit an annual declaration on behalf of the foreign partnership.

United Arab Emirates continued

TAX PROCEDURES, FTA DECISIONS AND PUBLIC CLARIFICATIONS

Family Foundations

The FTA has issued this guide which is designed to provide general guidance on the taxation of Family Foundations. It provides readers with an overview of:

- ▶ the requirements to qualify as a fiscally transparent family foundation,
- ▶ a general understanding of how the corporate tax law treats family foundations and beneficiaries,
- ▶ information regarding the registration, compliance and other tax obligations

Foundation, incorporated trust, awqaf (Islamic endowment)

Entities with a separate legal personality—such as foundations, incorporated trusts, and awqaf are generally subject to corporate tax in the UAE. However, they may apply to the FTA to be treated as fiscally transparent. If approved, this allows the entity to be taxed as an unincorporated partnership, meaning it would not be subject to Corporate Tax in its own right, provided all relevant conditions are met.

Similar Entities

The guide provides further clarity on the definition of a family foundation, which includes foundations, trusts, or a “similar entity.” According to the guide, a “similar entity” refers to an arrangement that is specifically *intended for the administration of family wealth and is not structured as a commercial company.*



Registration and compliance

The guide provides new details on the CT registration requirements for Family Foundations and juridical persons that they wholly own and control and the process for them to apply for fiscally transparent status. A new Annual Confirmation requirement is also introduced which follows FTA Decision No. 5 of 2025 as mentioned above.

Public Clarification for Taxation of investors in a Real Estate Investment Trust

The FTA has released a Public Clarification (CTP005) for Taxation of investors in a Real Estate Investment Trust.

The purpose of the clarification is to confirm:

1. The income that will be taxed in the hands of juridical persons that are investors in a REIT.
2. The relevant Tax Period in which the income will be taxed for such investors.
3. The compliance obligations of the REIT and the investors and other related matters.

United Arab Emirates

PENALTIES

Waiver of penalties for late CT registration

The Ministry of Finance and the Federal Tax Authority have initiated a new initiative aimed at alleviating the penalties associated with late registration for corporate tax.

Failure to register for corporate tax in the UAE on time may result in an administrative penalty of AED 10,000. However, following the announcement of the Ministry of Finance on 29 April 2025, penalties will be waived for eligible entities.

To qualify, businesses must submit their corporate tax returns or annual declarations within seven months following the conclusion of their first tax period, as stipulated in the corporate tax law.

The FTA will implement processes to reimburse any administrative fines already paid by qualifying entities.

The authorities have not yet specified the full scope of its application—particularly concerning ‘corporate tax payers’ and ‘certain exempt individuals.’



United Arab Emirates

E-INVOICING



The Ministry of Finance has reaffirmed its commitment to implement e-Invoicing in 2026. Phase 1 of e-Invoicing is expected to go-live in July 2026. In line with the planned implementation, the Ministry of Finance has released the Ministerial Decision No. 64 of 2025 on the eligibility criteria and accreditation procedure for service providers under the electronic invoicing system.

Separately, the Peppol authority has released the Peppol Authority Specific Requirements (PASR) and the first version of the PINT dictionary for UAE.

It is expected that the e-Invoicing legislation and the list of Accredited Service Providers for e-Invoicing will also be announced by the Ministry of Finance soon.

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