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Amendments to Saudi VAT Implementing Regulations

PROFILE **CONSUMER PRODUCTS**
Manish Arora of Adidas

ANY QUESTIONS
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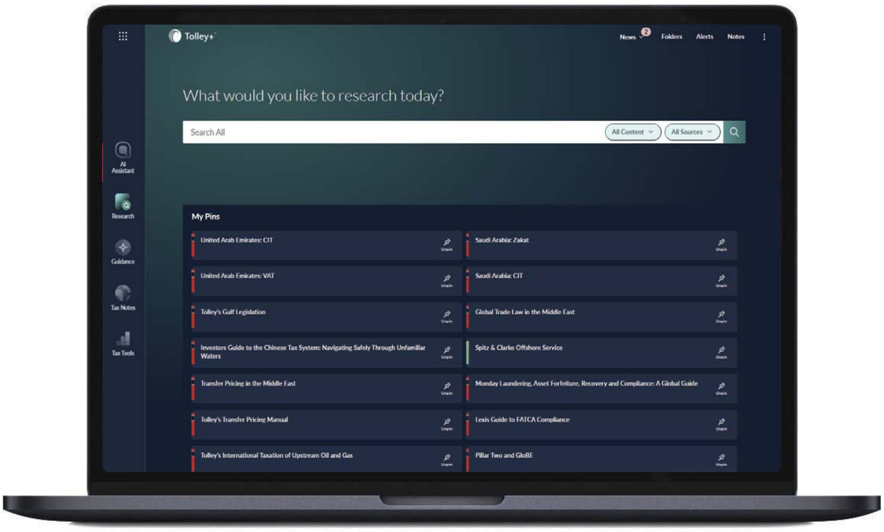

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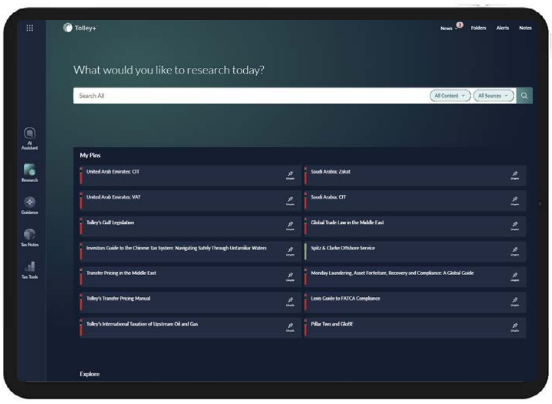

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NOT FINE

The concept of having to provide information to overseas tax authorities about financial assets held by taxpayers in those countries is not new.

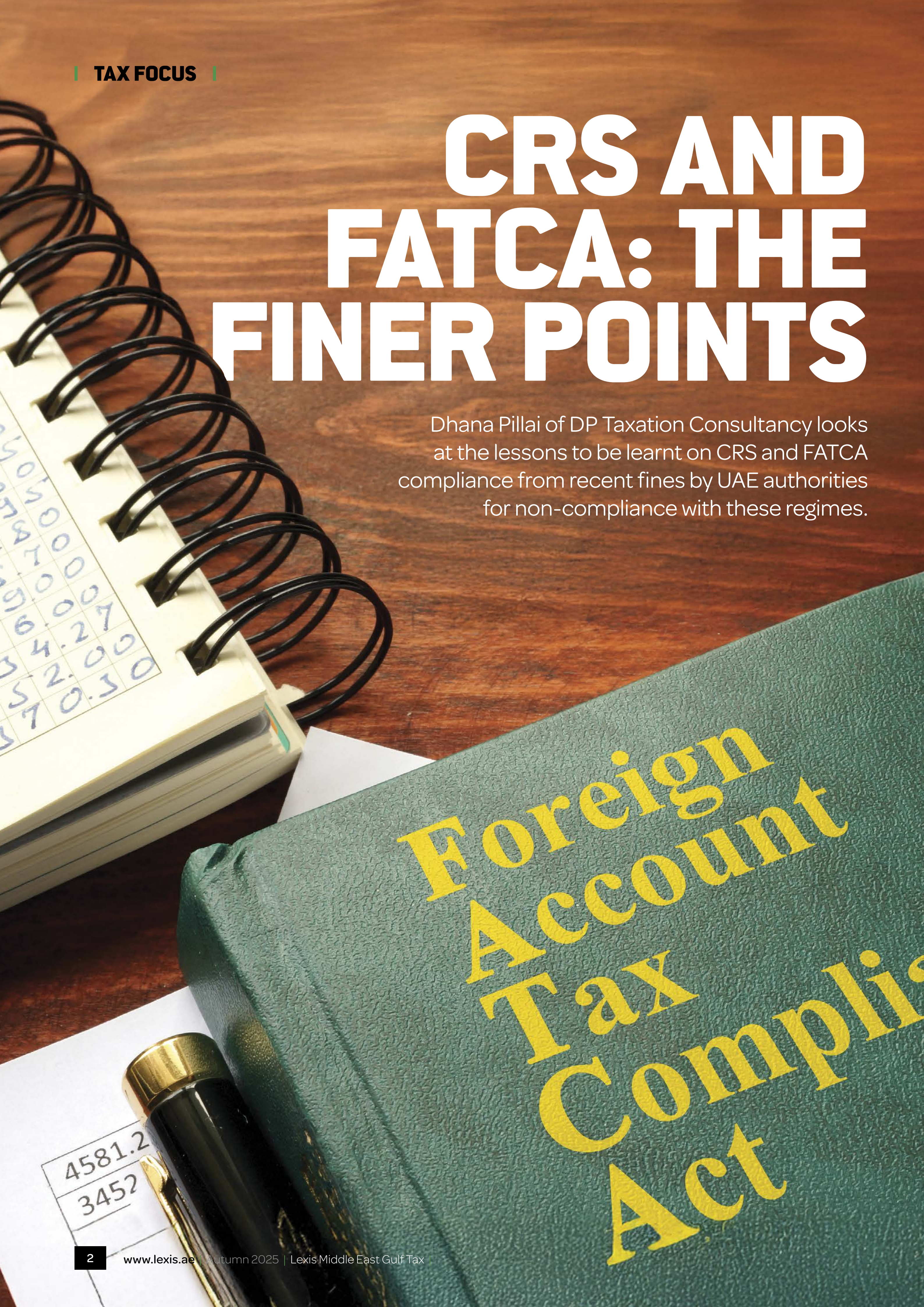
The US Foreign Account Tax Compliance Act (FATCA) dates back to 2010. Even the Organisation for Economic Co-operation and Development (OECD)'s Common Reporting Standard (CRS) which similarly requires financial institutions to identify and report information on non-resident account holders to their local tax authorities, who then exchange this information with other participating jurisdictions, was adopted in 2014 and launched in 2016. The main UAE legislation on CRS, for example, dates back to 2018. However, what we have been noting recently in UAE newspaper reports is that a significant number of entities have recently been fined for non-compliance with these two related international frameworks by UAE regulators. As a result in this issue we have decided to break down how these fines were calculated in some of the recent UAE cases, take a look at the similarities and differences between these two regimes, and where particular penalty risks can apply. Possibly these regulations feel quite remote to some entities. This is information required for use by foreign not local tax regulators. Although it is sent to the local regulator. It is also possible for Reporting UAE FIs to delegate due diligence and reporting to third-party providers but even then the liability remains with the UAE FI. However, what is clear is that this is an area the UAE regulators take extremely seriously, and the way the penalty regime operates means that what might appear like a minor omission such as not confirming you have no relevant accounts of this type within the required deadline - which by the way is 30 June every year for both regimes - can lead to penalties quickly ramping up as some of these fines accrue on a daily basis or for individual instances of offences. Therefore, this is a regime which needs to be taken seriously and fully understood.

Claire Melvin - Editor

CONTENTS

CRS AND FATCA: THE FINER POINTS

Dhana Pillai of DP Taxation Consultancy looks at the lessons to be learnt on CRS and FATCA compliance from recent fines by UAE authorities for non-compliance with these regimes.



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"In recent months there have been a host of newspaper reports of authorities in the UAE imposing fines for compliance failures under two separate but related international frameworks on the automatic exchange of financial account information - the US Foreign Account Tax Compliance Act (FATCA), and the Organisation for Economic Co-operation and Development (OECD)'s Common Reporting Standard (CRS)," states Dhana Pillai.

"In September 2022, the ADGM Financial Services Regulatory Authority (FSRA) took action against five Reporting Financial Institutions (RFIs), imposing fines ranging from 30,000 to 119,000 AED for breaches of these rules. Then in May 2025, the FSRA issued fines totalling 610,000 AED to 23 entities for violations of both the CRS and FATCA regulations."

"A range of offences had been committed including missing risk assessments, flawed due diligence, incomplete filings, inaccurate reporting, and the failure to collect valid self-certifications," Pillai adds. "CRS and FATCA non-compliance fines range from USD 300 (for invalid self certification) to USD 70 000 (for significant misreporting). There can be fines for each individual breach and in some cases there are daily accruals, which can mean these fines can quickly ramp up where there are long standing or repeat offences. In addition, late or inaccurate filings can lead to the USA levying 30% withholding on US source payments."

"Regulators including the UAE Central Bank, ADGM Financial Services Regulatory Authority (FSRA) and the DIFC Dubai Financial Services Authority (DFSA) have all previously levied fines for compliance breaches," Pillai adds.

RECENT FINE EXAMPLES

"For example, in March 2025, the UAE Central Bank imposed financial sanctions totalling 2,621,000 AED on five banks and two insurance companies operating in the UAE as a result of non-compliance with reporting procedures required by the CRS and FATCA," Pillai states. "While, in 2024 a Reporting Financial Institution (RFI) which failed to make a CSR Nil Return (a confirmation they had nothing to report) in the required timeframe was fined 26,000 AED under Article 5(3)(b) of Cabinet Decision No. 93/2021 which enables a fine of 1,000 AED per day to be levied up to a maximum amount of 30,000 AED."

"In addition, in that year two fines of 10,000 AED were levied for failures to comply with any other provisions in the Cabinet Decisions on CSR and FACTA under Article 7(6) of Cabinet Decision No. 63/2022 and Article 5(6)(a) of Cabinet Decision No. 93/2021 respectively," Pillai adds.

"More recently in April 2025, the ADGM FSRA issued a penalty notice against Freedom Adventure Fund II CEIC Limited for various CRS and FATCA offences for 20,000 AED."

"This company had opened Accounts to Account

Holders or Controlling Persons without obtaining a valid self-certification and/or failing to validate that self-certification breaching Article 5(2) of Cabinet Decision No. 93/2021 and was fined 1,000 AED for each of the five breaches," Pillai states.

"A further 1,000 AED each was fined under the FATCA regime under Article 7(2) of Cabinet Decision No. 63/2022 for the similar offence of opening a New Individual Account or New Entity Account without collecting a valid FATCA Self-Certification Form or without validating that Form."

"There had also been two instances where it had failed to report any CRS required information in a complete and accurate manner under Article 5(4)(a) of Cabinet Decision No. 93/2021 for which it was fined 10,000 AED in total."

"In addition, earlier in February 2025, the ADGM FRSA had fined APM Capital Limited 104,000 AED for its FATCA and CSR contraventions," Pillai continues "These included nine violations of Article 5(2) of Cabinet Decision No. 93/2021, ten violations of Article 7(2) of Cabinet Decision No. 63/2022 as well as two fines of 40,000 AED for failure to carry out the required due diligence procedures detailed in the specified CRS and FATCA regulations under Article 5(5) of Cabinet Decision No. 93/2021 and Article 7(1) of Cabinet Decision No. 63/2022 respectively."

CRS REQUIREMENTS

"Under the CRS rules financial institutions must perform due diligence on all account holders who are tax residents in a jurisdiction other than the UAE or the USA (as the USA is covered under FATCA)," states Pillai. "Reporting applies to accounts held by individuals and entities, including Controlling Persons of passive non-financial entities (NFEs)."

"The OECD CRS requirements are like the FATCA requirements for US. The framework consists of the Model Competent Authority Agreement (MCAA), Common Reporting Standard (CRS), Accompanying Commentaries and FAQs and the CRS XML Schema User Guide for data transmission."

"In the UAE the CRS has been implemented through the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC), which was ratified by Federal Decree No. 54/2018 and Federal Decree No. 48/2018 On the Ratification of the Multilateral Administrative Agreement (MAA) for the Automatic Exchange of Information," states Pillai.

"The ADGM has also issued the Common Reporting Standard Regulations and the DIFC has issued DIFC Law No. 2/2018 (the Common Reporting Standard Law) which cover the requirements in those jurisdictions. The CRS must be filed by 30 June every year."

"It is important to note, the UAE will not exchange information with a partner jurisdiction unless it is satisfied with confidentiality safeguards and data protection systems in place," Pillai continues.

"These are monitored globally through the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes."

"RFIs must report annually to the UAE Ministry of Finance (MoF) the name, address, jurisdiction(s) of residence, Tax Identification Numbers (TINs), the date and place of birth (for individuals); the account number and balance/value, gross interest, dividends, proceeds (as applicable), the Financial Institution Identifier (name and number) and in the case of custodial or depository accounts gross income and redemption payments for each reportable account," Pillai explains. "If no reportable accounts are identified, a nil return is filed. Records must also be retained for a minimum of five years."

"FIs must also implement due diligence procedures to identify reportable accounts," Pillai states. "Here the required procedures depend on account type and status, e.g. if it is a new or pre-existing account, an individual or an entity."

Dhana Pillai

Founder,
DP Taxation
Consultancy

"New individual accounts always require self certification of tax residency when the account is opened and a reasonableness test based on existing Anti-Money Laundering/ Know Your Client documentation," Pillai continues.

"Where an individual account existed before CRS implementation the procedures depend on whether it is a low value (below USD 1 million) or high value account (above this level). With low value accounts, if a review of residence address or electronic records indicate foreign residence (e.g. a foreign address, phone number or Power of Attorney) further action is triggered. Enhanced procedures, including review of documents and relationship manager inquiries are required with high value accounts."

"Where an entity account existed before CSR implementation, an account of USD 250,000 or below (as of 31 December 2016) was excluded from review unless the balance increases in future years," Pillai explains. "While an account over USD 250,000 had to be reviewed to determine entity type (if it was Passive or Active Non-financial Entity (NFE)) and the Controlling Persons' tax residency."

"New entity accounts need self-certification of tax residency and it must also be determined if the entity is a Passive NFE and Controlling Persons must be identified and reported," Pillai states. "There are a number of other important points, e.g. self certifications must be reliable and not be contradicted by any known facts. There are also special rules for

RELEVANT LEGISLATION

Article 10 of Cabinet Decision No. 93/2021

The provisions of this Decision shall be interpreted according to the explanations of the Common Reporting Standard issued by the Organisation for Economic Cooperation and Development and any amendment made thereto.

(Source: Tolley Plus - Middle East and Lexis Middle East) insurance contracts and employer group policies."

"In addition, account aggregation rules apply across linked accounts. The currency thresholds must also be converted using spot rates (AED/USD at fixed official rate) and any negative balances are treated as zero. Finally, if a jurisdiction becomes a participating one during the current reporting period, some of the pre-existing account rules may still apply."

"There are a number of reportable entity types under the CSR form which include custodial institutions (which hold others' financial assets, depository institutions like banks which accept deposits, investment entities which manage or invest funds on behalf of clients and specified insurance companies which issue cash value insurance or annuity contracts," Pillai explains. "However, excluded non-reportable accounts include retirement and pension accounts under regulated schemes, certain life insurance contracts, estates, court-ordered accounts, escrow accounts, loan servicing accounts and overpayment accounts (if under USD 50,000 and refunded within 60 days). Although, any financial account held by a Reportable Person (who is either an individual/entity tax resident in a reportable jurisdiction); or a Passive NFE with Controlling Persons who are Reportable Persons must be reported."

RELEVANT LEGISLATION

Article 8 of Cabinet Decision No. 63/2022

1- If the Competent Regulatory Authority or the Authority decides that any of the administrative violations stipulated in Article 7 of Cabinet Decision No. 63/2022 have been committed and the offender is subject to a financial fine and any other administrative sanction, as the case may be, it shall notify the offender in writing of the following:

a- The offender has committed an administrative offence.

b- The reasons that led to the imposition of the fine or sanction on the administrative violation.

c- The date of committing the administrative violation.

d- The value of the financial fine imposed.

e- The due date for the payment of the financial fine, after the lapse of at least 30 working days from the issuance of the notification.

f- Any administrative sanction imposed, where applicable, and its duration of effectiveness.

2- The Competent Regulatory Authority or the Authority shall send the notification to the registered e-mail of the person who committed the administrative offence, and in case of failure to get the e-mail of the offender, for any reason whatsoever, the notification shall be sent to the postal address registered at the Competent Regulatory Authority by means of a letter with acknowledgement of receipt.

(Source: Tolley Plus - Middle East and Lexis Middle East)

FACTA REQUIREMENTS

"The UAE signed a Model 1B Intergovernmental Agreement (IGA) on 17 June 2015 which requires UAE Reporting Financial Institutions (FIs) to identify and report relevant account information to UAE authorities, who in turn submit this to US Internal Revenue Service (IRS)," states Pillai.

"FATCA implementation in the UAE imposes clear obligations on financial institutions to identify and report US linked accounts to local authorities. The process involves initial registration, ongoing due diligence, and annual reporting of either US reportable accounts or nil returns. Non-compliance, even via third-party service providers, is the responsibility of the Reporting UAE FI."

"FATCA applies to banks, custodians, investment managers, insurance companies, whether operating as a branch or otherwise who are known as RFIs," Pillai continues. "RFIs must register with both the IRS (to obtain a Global Intermediary Identification Number – GIIN) and their respective UAE regulatory authorities."

"In the UAE, regulatory authorities for FATCA and CRS purposes include the Ministry of Finance (MOF), UAE Central Bank, Securities and Commodities Authority (SCA), the ADGM and DIFC," Pillai adds.

"In addition, RFIs need to identify what are called Passive Non-Financial Foreign Entity (NFEEs) with US controlling persons. An NFFE is a foreign non-US entity that is not a financial institution and is classified either as Active or Passive Active and Passive NFFEs."

"RFIs must perform due diligence to identify accounts held by specified US persons, Passive NFFEs with US controlling persons and non-participating financial institutions (NPFIs)," states Pillai. "This includes collecting FATCA self-certification forms and reviewing account documentation such as the US address, phone number, or place of birth. They must also undertake ongoing monitoring for changes in circumstances that may affect an account's FATCA classification. For example, if there is a new US address or change in Controlling Persons, new documentation is needed and if a previously non-reportable customer updates their contact address to a US location, this triggers a reassessment and the need for updated self-certification."

"There is an annual deadline of 30 June each year for reports on all US reportable accounts, and nil returns if the RFI has no such accounts."

"The reported data is submitted to the UAE MoF, which automatically exchanges the information with the US IRS. Reporting UAE FIs can delegate this due diligence and reporting to third-party providers (e.g. fund administrators or trustees) but liability still remains with the UAE FI."

"Even if an entity is liquidated mid-year, they must fulfil their FATCA reporting obligations for that year. The entity must also notify its regulatory authority and deregister from both the FATCA reporting portal and IRS FATCA system. Since 2020, US Tax Identification Numbers (TINs) must also be reported for US accounts, if the TIN is unavailable, the IRS provides temporary TIN placeholder codes with scenario-based usage. However, use of these codes does not guarantee compliance and FIs must show continuing efforts to obtain the actual TIN."

VAT: SO WHAT'S NEW

Chadi Abou-Chakra, Middle East Indirect Tax Leader & ME TLS COO – PwC Middle East explains the impact of amendments to Saudi Arabia's VAT Implementing Regulations.

“The implementing regulations to Saudi Arabia's VAT Law (found in the Zakat, Tax and Customs Authority (ZATCA) Board Decision, Saudi Arabia Administrative Decision No. 3839/1438) were amended back in April by a new ZATCA Board Decision Saudi Arabia Administrative Decision No. 01/6/24/1446," states Chadi Abou-Chakra. “These amendments aim to provide greater guidance on the tax rules. They go beyond basic enforcement and provide greater clarity on new and evolving business models. In addition, they have overhauled administrative mechanisms, and align with global best practices, including the EU's VAT in the Digital Age (ViDA) initiative."

“They also enable the Saudi tax regime to modernise while also supporting the Kingdom's plans to attract investment, for example through Special Economic Zones (SEZs)," Abou-Chakra explains. “However, amongst the various changes there are five specific areas where immediate attention is required. These are the changes which have been made to VAT grouping rules, Transfer of a Going Concern (TOGC), electronic platform obligations, SEZ treatment, and VAT refunds, including the new tourist refund mechanism."

VAT GROUPINGS

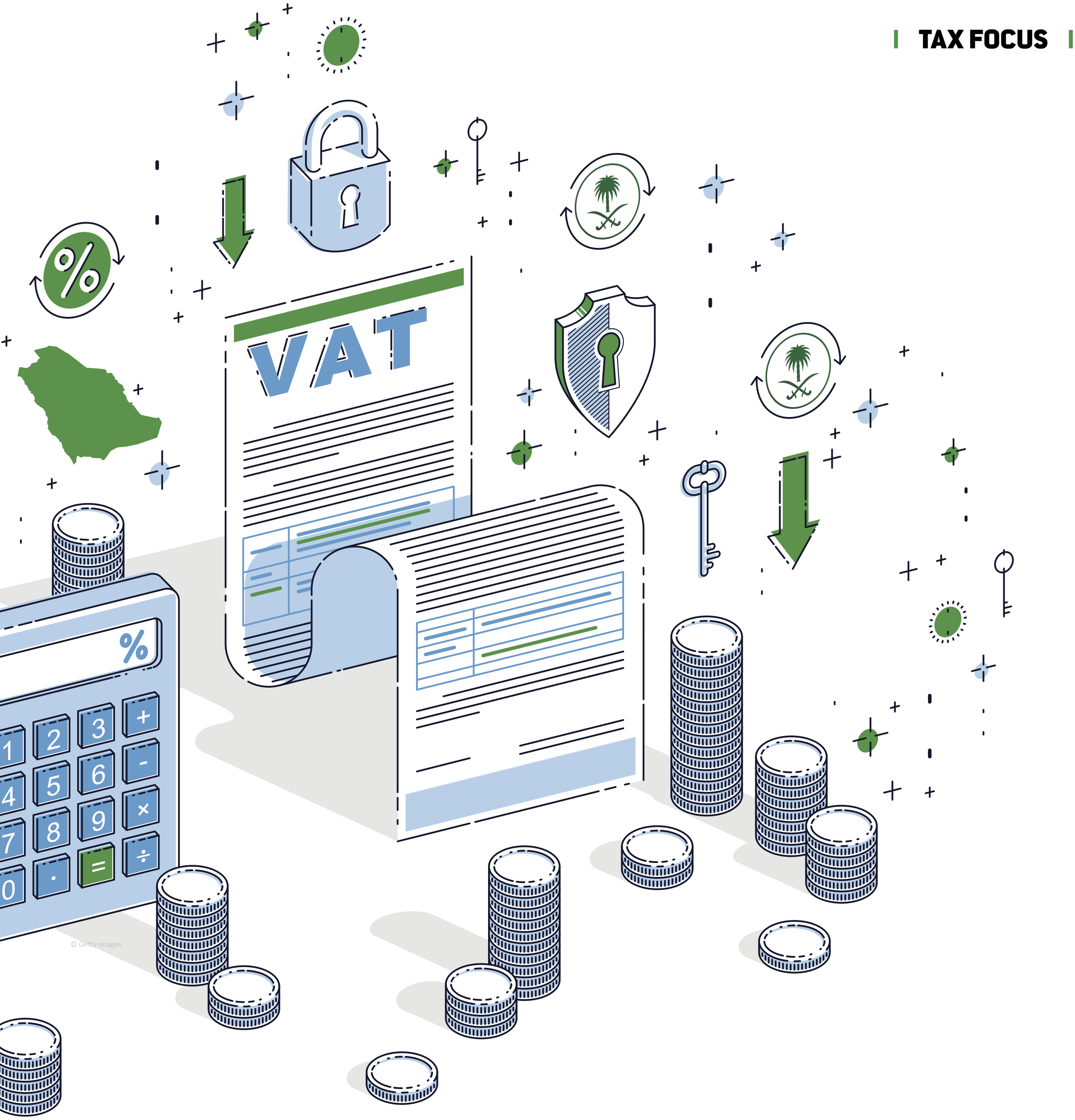
“Under the revised implementing regulations, VAT grouping is restricted to resident entities which qualify for individual registration," Abou-Chakra states. “All members must be eligible for VAT registration. In addition, at least 50% ownership, voting rights, or market value must be directly or indirectly held by the same legal person(s), or one member must have effective control over the others."

“In order to make a VAT grouping application, a copy of the agreement between the parties to be part of the VAT group registration application, needs to be submitted as part of the application process," Abou-Chakra adds. “This agreement must outline the relevant commitments and obligations of each member."

Chadi Abou-Chakra
Middle East Indirect Tax Leader & ME TLS COO, PwC Middle East

“It is also important to note that group members must not be entities which are licensed to operate in one of the SEZs with unique regulatory treatment or be part of another VAT group under customs suspension arrangements."

“In addition, the applicants or group members cannot be in receipt of Article 70 of Saudi Arabia Administrative Decision No. 3839/1438 VAT refunds (i.e. eligible persons for VAT refunds are excluded from VAT groupings). However, there are some exceptions to this. For example, this restriction does not include licensed real estate developers



whose activities are limited solely to property sales and transfers of ownership to their employees; or those eligible for a refund because they are a donor to public benefit projects."

"This exclusion on VAT groupings is designed to prevent overlapping tax treatments and safeguard the integrity of targeted incentive regimes," Abou-Chakra continues. "The amendments on VAT groupings will come into effect on 15 October 2025."

TRANSFERS OF A GOING CONCERN (TOGC)

"Following these amendments to the implementing regulations, Transfers of a Going Concern (TOGC) are outside the scope of VAT, provided the Zakat, Tax and Customs Authority (ZATCA) has been formally notified within the end of the month following the month in which the transaction occurred," Abou-Chakra states. "Here it is important to note that both the transferor and the recipient are now required to notify ZATCA of the transfer. ZATCA has also specified the information that must be included with the notification."

"There have also been clarifications on what constitutes a TOGC," Abou-Chakra continues. "They can include scenarios where there has been the transfer of all tangible and intangible assets, and the continued use of goods or services in order to carry out the same economic activity as that of the transferor. This can happen during business restructuring."

"A number of specific points have also been clarified on VAT recovery where there has been a

RELEVANT LEGISLATION

Article 70(1) of Saudi Arabia Administrative Decision No. 3839/1438

Without prejudice to the Agreement and the Law, the Minister of Finance may allow certain categories to submit an application to the Authority requesting to be considered eligible for a refund of the tax imposed on their purchases of taxable goods or services in the Kingdom, which is incurred and paid upon receipt of the goods or services in the Kingdom. The Board of Directors, or its delegate, may issue the requirements that must be met by each category in order for its affiliated persons to be considered eligible for a refund.

(Source: Tolley Plus - Middle East and Lexis Middle East)

TOGC," states Abou-Chakra. "For example, an input VAT deduction or refund in relation to the transferred economic activity can be claimed by recipients in specific cases in Article 40 of Saudi Arabia Administrative Decision No. 3839/1438 and the Tax Identification Number (TIN) remains with the transferor and cannot be transferred to the recipient."

"A TOGC is not intended to alter or distort the tax obligations of the transferor and the recipient before or after the transfer, unless otherwise explicitly agreed upon in a binding contract between the parties," Abou-Chakra states. "The recipient will never be held liable for any VAT liabilities or infringements committed by the transferor before the transfer."

ELECTRONIC PLATFORMS

"Another significant change is that from 1 January 2026, digital platforms which facilitate sales, for example e-commerce aggregators or booking sites, may be classified as VAT suppliers if they exercise control over pricing, delivery or customer interactions," Abou-Chakra states. "In particular this applies to non-resident sellers. This mirrors global trends aimed at improving VAT collection across digital markets and brings Saudi Arabia closer in alignment with EU's ViDA VAT rules for platform economy."

SEZ TREATMENT

"One particularly important change brought in by these amendments is that there is now greater structure and clarity on transactions involving special economic zones (SEZs) and customs-suspended goods," Abou-Chakra adds. "Certain supplies may qualify for zero-rating. Eligibility is subject to proper documentation, customs alignment and verified qualification under SEZ frameworks. These rules aim to ensure consistency between tax incentives and customs treatment while supporting Saudi Arabia's broader investment strategy. This provides businesses with the certainty needed to operate confidently within the SEZs."

VAT REFUNDS

"One notable change has been to the framework for VAT refunds, which now includes a new system which allows tourists to recover VAT – which is a common approach globally," Abou-Chakra continues.

"Under this new regime foreign tourists can claim VAT refunds on qualifying purchases made during their visit. Businesses, particularly those which operate in retail, hospitality, and the luxury sectors will need to integrate their systems with the designated refund operators, ensure compliant invoices are issued and maintain full traceability."

"VAT should also be applied at 0% on services related to tourist refunds. It is also important to note all VAT refund claims, not just those involving tourists, must comply with enhanced requirements for documentation, time frames (e.g. credit/debit notes within 15 days), and minimum thresholds (5,000 Riyals for standard claims)."

NEXT STEPS

"Although these amendments come into force on different dates - the VAT grouping changes will come in on 15 October 2025, while those on deemed supply (i.e. the economic market place obligations) come into force on 1 January 2026 - it is vital that businesses that have not already done so take a number of immediate steps."

"Firstly, it will be important to embed VAT planning into mergers, acquisitions and restructuring activities, particularly where TOGC treatment may apply, to avoid transaction-level VAT risks," states Abou-Chakra. "It is also important to check VAT and customs work flows for SEZ-related transactions, ensuring there is complete and auditable documentation that meets zero-rating criteria. In addition, VAT refund procedures should be standardised so they meet the amended compliance standards in order to reduce the risks of disallowed claims."

"Finally, businesses will need to have taken steps to be able to be ready for tourist VAT refund processing, which includes ensuring systems integration with designated operators and having undertaken adequate staff training to support compliant refund execution."

"There are also a number of mid-term priorities which will need to be addressed," Abou-Chakra adds. "These include reviewing VAT grouping structures to confirm eligibility and compliance with the updated rules, particularly in light of new exclusions and documentation requirements. It will also be worth assessing digital platform obligations and to prepare for potential VAT supplier liability under the 2026 rules. This will include reviewing platform control structures and user engagement mechanisms. All these actions will require coordination across tax, finance, legal, commercial, and IT departments to ensure business-wide readiness. "

"These VAT regulation changes are more than just a compliance update. They are a structural realignment of the Kingdom's tax framework to support its investment, fiscal resilience and digital transformation goals."

"By providing clarity on key areas such as group registration, TOGC, platform liability, SEZ transactions and refunds - the changes offer both certainty and opportunity. Those who move swiftly and decisively to modernise their VAT governance will be well placed to turn compliance into a competitive advantage in Saudi's dynamic tax environment."

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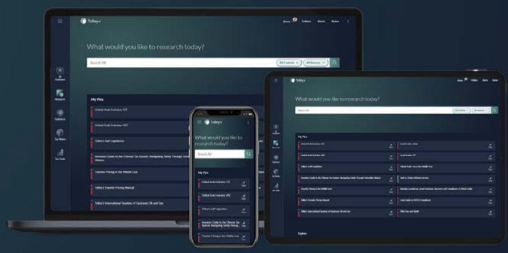

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TAX NEWS ROUND-UP

COVERING RECENT KEY DEVELOPMENTS – REGION-WIDE

UAE

NATURAL SHORTAGES

The UAE Federal Tax Authority (FTA) has issued Decision No. 6/2025, which came into effect from 1 July 2025, and introduced a structured framework for reporting and management of natural shortages of excise goods within Designated Zones, in line with international tax standards. Natural shortages of excise goods are those occurring due to uncontrollable factors during production, transportation, or storage. The regulations require businesses to seek pre-approval from the FTA for any natural shortages within a permissible threshold. This threshold must be corroborated by an FTA-approved Independent Competent Entity (ICE), which will conduct assessments of production processes and storage facilities and issue a report, which will be valid for up to a year, confirming allowable shortages. When significant changes occur that might affect loss ratios, prompt notification to the ICE will be mandatory. These new procedural requirements come with rigorous documentation and reporting duties, and businesses will need to maintain comprehensive audit-ready documentation, supported by ICE findings. This includes real-time traceability of excise goods and full compliance with potential FTA inspections.
Non-compliance will lead to a risk of excise tax relief being denied and potential penalties. The decision replaces previous natural shortage procedures, and marks a change from a discretionary to a more systematic approach with obligatory third-party assessments and set deadlines. It specifically targets natural shortages, and other loss types like theft or operational errors remaining under separate guidelines, such as EXTP007.

MAP GUIDANCE

The UAE Ministry of Finance has issued Mutual Agreement Procedure (MAP) guidance to provide clarity to taxpayers on eligibility, processes, and necessary information for MAP claims aimed at mitigating double taxation under applicable double tax treaties. The guidance explains situations which lead to double taxation, such as cross-border transfer pricing adjustments or establishing cross-border permanent establishments. Taxpayers must submit MAP claims within three years of becoming aware of potential double taxation. In addition, the Guidance has stressed that UAE domestic court rulings or Tax Dispute Resolution Committee decisions may influence the relief scope provided by the UAE Competent Authority in cases submitted to MAP. The guidance also includes details of the required information for a MAP claim.

SAUDI ARABIA

WAIVER EXTENDED

The Saudi Zakat, Tax, and Customs Authority (ZATCA) has announced the Minister of Finance has approved an extension of the fines waiver which exempts taxpayers from penalties. The extension is set to last for six months, and will apply under all Saudi tax laws until 31 December 2025. This initiative primarily addresses penalties linked to late registration, late payment, and late filing of returns, and further extends to fines related to inaccuracies in VAT returns and electronic invoicing regulations. The aim is to encourage taxpayers to rectify their tax compliance discrepancies without facing penalties. To qualify for the waiver, taxpayers must adhere to the prescribed registration guidelines, ensure all requisite tax returns have been submitted, accurately declare any undisclosed taxes, and settle the principal tax debt linked with the submitted or amended returns.

ANTI-DUMPING DUTIES

A decision has been made on final anti-dumping duties on imports of longitudinally welded circular cross-section pipes of stainless steel from China and Taiwan in line with the Law of Trade Remedies in International Trade (Saudi Arabia Decision No. 321/1444), which was designed to shield domestic manufacturers from improper trade practices by foreign entities. Duties ranging from 6.5% to 27.3%, will be applicable for five years starting 30 June 2025. The Zakat, Tax, and Customs Authority (ZATCA) will implement and collect these duties.

ANTI-FRONTING PROSECUTION

The Dammam Criminal Court has imposed a 200,000 Riyal fine on a Saudi citizen and an Egyptian resident after they were convicted in a cover-up (tasattur) case involving a water desalination business in the Qatif governorate. Under the Anti-fronting Law Saudi Arabia Cabinet Decision No. 785/1441 the court's decision included the annulment of the business's commercial registration and license, its enforced liquidation, and collection of unresolved zakat, fees, and taxes. The Saudi national was also prohibited from participating in the same commercial activity. As part of the ruling, the Egyptian resident has faced deportation and an

TAX TREATY UPDATE

Bahrain: A double taxation treaty with Oman has been ratified.
Qatar: Kuwait and Qatar have signed a double taxation treaty.
UAE: The double taxation treaty with Bahrain will apply for withholding and other taxes from 1 January 2026.
Saudi Arabia: The Croatian Parliament has approved a double taxation treaty with Saudi Arabia.
Kuwait: Kuwait Decree-Law No. 80/2025 has promulgated a double taxation treaty with Saudi Arabia.

indefinite ban from returning to Saudi Arabia. The offenders' names were also published in local media at their expense. Attempts can be made in this way to hide the real identity of business owners in Saudi Arabia for a number of reasons including to allow a foreigner to operate in a sector they would not normally be able to and pay tax at lower rates.

KUWAIT

MNE TAXATION

Kuwait Ministerial Decree No. 55/2025 has introduced the implementing regulations for Kuwait Decree-Law No. 157/2024 Promulgating the Law on the Taxation of Multinational Enterprise Groups. It covers the introduction of a Domestic Minimum Top-up Tax (DMTT), in Kuwait and aligns with OECD requirements under the Global Minimum Tax Pillar Two project. This legislation implements a 15% DMTT on Multinational Enterprises (MNEs) which operate in Kuwait and have an annual consolidated global revenues of at least EUR 750 million in at least two of the last four years.

EGYPT

VAT CHANGES

The Egyptian Parliament has approved amendments to the VAT law (Egypt Law No. 67/2016). The changes have affected local cigarette brands priced up to 38.88 Egyptian Pounds, which are now set at 48 Egyptian Pounds, while other cigarette brands are experiencing price adjustments from a minimum of 48 Egyptian Pounds to a maximum of 69 Egyptian Pounds. These new consumer prices take effect on the official publication of the amended law. In addition, the amended law has also imposed a 50% tax on the retail price of cigarettes, which is coupled with an annual increase of minimum and maximum prices of 12% over three years.

QATAR

PENALTY EXEMPTION

The Qatar General Tax Authority (GTA) has introduced the Financial Penalty Exemption Initiative in order to improve taxpayer compliance by alleviating financial penalties linked to late tax registration, filing, or payment. The initiative, detailed under a set framework, offers a full exemption from such financial penalties to participating taxpayers, if they fulfil specified terms and conditions. It impacts a broad range of taxpayers, and provides them with an opportunity to rectify their tax obligations without incurring penalties. According to the GTA, taxpayers can obtain information and submit their Simplified Tax Returns directly at the Authority's headquarters. The GTA is also encouraging taxpayers to use designated times - Sundays, Tuesdays and Thursdays - to speak to tax officials in person at the GTA Tower and ask for assistance on this subject.

BAHRAIN

PILLAR 2 MANUAL

The Bahrain National Bureau for Revenue (NBR) has published an Advanced Payment Manual. The Manual provides a clear overview of the Domestic Minimum Top Tax (DMTT) advance payment process and as well as a step-by-step guide to help taxpayers navigate the NBR online portal and accurately complete the required forms. The Filing Constituent Entity (CE) of a Multinational Enterprise (MNE) Group in Bahrain is responsible for settling its DMTT liability through quarterly advance payments over the course of the year.

However, the manual explains that MNE Groups electing to apply specific DMTT relief measures, such as the transitional Country-by-Country Reporting (CbCR) safe harbour, the de minimis exclusion, or the initial phase of international activity exclusion, are not required to declare or remit advance payments as the DMTT liability is deemed to be nil. It is important to note if circumstances change and the MNE Group no longer qualifies for the previously selected DMTT relief, and the Filing CE opts to settle its DMTT liability, it must update its registration details and remove the DMTT relief which was previously selected. The registration must be promptly updated to reflect the revised eligibility status.

IN BRIEF

UAE: The UAE Securities and Commodities Authority (SCA) has issued fines totalling 325,000 AED to multiple licensed financial institutions in the UAE for non-compliance with mandatory reporting procedures under the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) during 2025...

Qatar: The Qatar General Authority of Taxation has referred 13 companies to the Public Prosecutor's Office after investigations revealed their involvement in tax evasion cases which amounted to approximately 36 million Qatari Riyals...

UAE: The UAE Ministry of Finance and Federal Tax Authority (FTA) have announced a change in how the selective tax on sweetened beverages is applied which will be based on the sugar content in each product, rather than just its category...

Saudi Arabia: The Zakat, Tax and Customs Authority (ZATCA) has stated disabled people will be exempt from VAT and Customs Duties when importing vehicles from abroad into Saudi...

Bahrain: 724 VAT inspections have been carried out in the first six months of 2025 and 71 fines have been issued with common violations including failures to display prices including VAT, not showing a valid VAT registration certificate, not issuing a VAT invoice and issuing a VAT invoice for goods or services that were not subject to VAT...

For MNE Groups with a fiscal year which ends on 31 December, the deadlines for the first and second quarter advance payments will be on or before 29 August 2025. Advance payment liabilities can be settled through Bahrain's National Portal (Bahrain.bh) or via the Fawateer payment services, using the reference number which is generated when the payment form is submitted. In order to make payments, the Filing CE should log into the NBR online portal using the assigned User ID and password. From the main dashboard, they should click the DMTT tab, then select DMTT Returns from the available options. They should locate the DMTT Advance Payments row, and click on the three dots under the Actions column. They should then select New Payment to start the declaration process. If the MNE Group is not required to make an advance payment, this option will not be displayed on the Filing CE's tax portal for them.

FOCUS ON PARTNERSHIP

Partnerships have historically occupied an important position in the UAE and broader GCC business community. They are often used in the professional services sector, as well as for investment ventures, and in regional collaborations, because they offer flexibility in structure, governance, and profit-sharing. The UAE Federal Decree-Law No. 47/2022 (the UAE Corporate Tax Law), has brought in specific tax changes for these traditional structures and a partnership's classification may impact their tax compliance obligations.

PARTNERS IN A JOINT VENTURE

Article 16 of Federal Decree-Law No. 47/2022 covers taxation of partners in a joint venture (JV). A person who is a partner in an unincorporated partnership (UIP), is treated as conducting business of the UIP; having a status, intention and purpose of the UIP; holding the assets the UIP holds; and being party to any arrangement to which the UIP is a party. The co-owners of UIP or JV have unlimited liability with respect to that UIP or JV and the UIP/JV is not considered separate from the partner itself.

Therefore, the Federal Tax Authority (FTA) generally tends to tax the income earned by these JVs in the hands of the partners themselves, i.e. treating the JV as a fiscally transparent or pass-through entity. The income passes through to respective partners in proportion to their distributive shares unless the UIP/JV has applied to be considered as a separate Taxable Person.

PARTNERS' EXPENDITURE

Typically, taxable income of a partner in a UIP takes into account the expenditure incurred by the partner in conducting the UIP's business; and interest expenditure incurred by the partner in relation to contributions made to the capital account of the UIP. Under Article 16(5) of Federal Decree-Law No. 47/2022, interest paid by a UIP to its partner should be treated as 'allocation of income' and therefore, should not be deductible when computing the partner's taxable income.

FURTHER GUIDANCE

The FTA issued the CT Guide on Taxation of Partnerships 'CTGPTN1', on 4 March 2024. The Guide offers practical guidance on different types of partners in a fiscally transparent partnership. It explains the determination of taxable income for these partners and deductibility of expenditure for the purposes of calculating taxable income. There is a significant focus on non-deductibility of interest paid to partners on their share of contribution. It also explains how the partnership provisions in Federal Decree-Law No. 47/2022 interact with the provisions on Free zone persons, eligibility for small business relief and where there are transactions with related parties and connected persons.

In addition, CTGPTN highlights the conditions on fiscal transparency of a Foreign Partnership if such a partnership is not subject to tax in its jurisdiction of establishment and each partner is individually subject to tax on their share of the partnership's income.

SEPARATE TAXABLE PERSON

Further clarifications on the corporate tax treatment of partnerships were explained by Ministerial Decision No 261/2024 which repealed and replaced an earlier Ministerial Decision, Ministerial Decision No 127/2023).

This law explained that UIPs will generally be treated as fiscally transparent, unless these partnerships have elected to be considered as a separate 'Taxable Person'.

Article 16(8) of Federal Decree-Law No. 47/2022 provides an option to such partners or co-owners to make an application to the FTA for the UIP or JV to be treated as a separate Taxable Person.

An election of this type can streamline compliance for the UIP/JV by submitting a single corporate tax return for its own business.

It is essential to note that this election is irrevocable until the UIP or JV is dissolved or liquidated. However, the application may be revoked by the FTA in exceptional circumstances.

It should be noted the definition of a UIP under UAE corporate tax law refers to partners or co-owners as 'Persons' which is broad enough to cover natural as well as juridical persons.

In this context, partners or co-owners may elect and apply to treat the UIP or JV as fiscally opaque for a number of commercial and technical reasons.

Individual or non-resident owners may not want to be exposed to UAE corporate tax obligations in their personal name, or co-owners may want to take the benefit of tax reliefs available under Federal Decree-Law No. 47/2022 including the Free Zone Person Tax Relief or claim benefits under an applicable tax treaty along with foreign tax credit at the UIP or JV level.

OTHER WAYS TO IMPROVE EFFICIENCY

In the case of foreign partnerships, Ministerial Decision No 261/2024 introduced another efficient approach by recognising fiscal transparency based on the treatment in their jurisdiction of establishment.

This removes the need for individual partner-level confirmations but where this approach is taken an annual declaration is needed. Ministerial Decision No 261/2024 has also enabled family foundations which wholly own and control a juridical person to apply for that juridicial person to be treated as a UIP provided specific conditions are met.

QUALIFYING LIMITED PARTNERSHIPS

Cabinet Decision No. 34/2025 On Qualifying Investment Funds and Qualifying Limited Partnerships (QLPs) for the Purposes of Federal Decree-Law No. 47/2022 on the Taxation of Corporations and Businesses recently introduced a number of important tax reforms including those on QLPs.

Under Article 2 of Cabinet Decision No. 34/2025, once an approval has been granted, the UIP or JV is treated as a resident juridical person under Federal Decree-Law No. 47/2022 and is taxed accordingly. As a result, all income derived from such a UIP or JV is taxable as per the normal provisions of Federal Decree-Law No. 47/2022, unless specific provisions are applicable to such an entity.

Once income is taxed at the UIP or JV level, the individual partners or co-owners are not taxed subsequently as any income.

The introduction of QLPs allows certain limited partnerships, primarily those which are engaged in investment activities and have not been established to avoid tax, to benefit from tax exemption provided they meet specific criteria. These among other things include that the QLP should not derive any income from exploitation of Immovable Property. Investors in QLPs may also enjoy corporate tax exemptions on income which has been earned through these entities.

If a partner or co-owner transfers their portion of the assets and liabilities to the unincorporated partnership or a fiscally opaque UIP/JV or a fiscally transparent UIP/JV seeks to apply to be considered as fiscally opaque person under Federal Decree-Law No. 47/2022, such an event may trigger a taxability in the hands of the partner or co-owner. In such cases, a Qualifying Group Relief, or Business Restructuring Relief may be explored treating such a transfer as tax neutral, even if the UIP or JV does not actually discharge a consideration.

This article was written by Aunali Merchant, Associate Partner, Sanjay Shukla, Senior Director and Palak Khetawat of MMJS Consulting

TAX PROFESSIONAL PROFILE

TAX DIRECTOR – CONSUMER PRODUCTS

Adding value

Manish Arora – who is a Tax Director at Adidas explains how it is important not just to understand the latest tax developments if you want to add value as an inhouse tax expert.

ABOUT YOU

I come from Panipat, located near New Delhi, India. I graduated from Delhi university and following three years of internship, I qualified as a chartered accountant in 2011. My professional journey began with Perfetti Van Melle, an Italian multinational confectionery company, where I held the position of Senior Executive in Taxation. My career journey then took me to Schneider Electric, an energy management and automation company, where I worked in India, before relocating to Schneider Dubai. Initially the move from India to Dubai was challenging. In India we would refer to tax legislation and tax judgments on daily basis. However, in this region, access to official tax laws across different jurisdictions can be limited and less straight forward. Throughout my career I have worked as an Inhouse Tax Expert, with the scope and complexity of my responsibilities consistently evolving. Over time, taxation has been an integral part of my professional identity. From navigating indirect taxes to mastering direct taxes including Corporate Income tax, withholding taxes and transfer pricing, as well as international tax frameworks, this journey has provided me with comprehensive exposure across all major tax disciplines. However, two main skills have been particularly helpful in this journey- having a strong grasp of accounting principles, which helps clearly understand transaction flows and a deep understanding of business operations, which supports effective tax planning and compliance.

CURRENT ROLE

At the beginning of this year, I joined Adidas as a Tax Director. In this role, I provide tax advisory support to business units across the organisation, oversee and ensure timely and accurate tax compliance, manage tax audits and interactions with tax authorities, identify opportunities to optimise tax costs, and assess and mitigate potential tax exposures. I also work closely with cross-functional teams to support the company's growth and expansion initiatives. I operate within the Emerging Market segment of Adidas's global operations which includes the Middle East, Africa, the Pacific, India, the Commonwealth of Independent States (CIS) countries, Israel and Southeast Asia. I am responsible for tax matters across all these regions, with the exception of Southeast Asia. I have to keep up with

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the latest tax regulations and developments across jurisdictions. However, as an inhouse tax professional technical expertise alone is not enough. It is equally essential to understand how the business operates and to proactively anticipate its needs. Any regulation that affects the business and financials ultimately also has tax implications and, by extension, directly impacts my role. Therefore, I make it my priority to stay informed about all recent developments, whether or not they are directly related to taxation, as they might impact the business operations and financial performance of the organisation.

GCC EXPERIENCE

My experience working in the GCC region has taught me to think differently and take a more adaptable approach. Here, understanding local practices and navigating the nuances of each country is essential. Decision making tends to be more strategic and context driven rather than strictly based on statutory provision. As a consumer product company, Adidas operations are influenced by factors affecting both demand and supply. Increased tariffs, rising freight cost or logistics constraints can have direct impact on business operations. These constraints are eventually reflected in the financial performance and have tax implications. Transfer pricing remains a significant area of focus for all multinational corporations. However, it is especially critical in this sector, which is heavily influenced by brand value. Therefore, maintaining a robust, defensible transfer pricing framework for intercompany transactions is critical to ensure regulatory compliance and alignment with business models. One of the most exciting areas of my job is navigating tax matters

PRACTITIONER PERSPECTIVE

Rachel Fox
Partner - Tax
Al Tamimi & Company

Rachel Fox of Al Tamimi & Company explains what is known so far about Oman's new personal income tax law.

The Omani Personal Income Tax Law (Oman Sultani Decree No. 56/2025) was issued on 22 June 2025 and introduces a personal income tax regime which will apply to resident and non-resident individuals in Oman from 1 January 2028. This law lays down a comprehensive legal framework to implement and govern the taxation of individuals in Oman and has created the very first personal income tax regime in a GCC member state. Resident individuals (i.e. those present in Oman for at least 183 days in a tax year) will be subject to personal income tax on their worldwide income, and non-residents will be taxed only on Oman sourced income. Personal Income Tax will apply at a rate of 5% on annual taxable income over OMR 42,000. In certain cases, expenses may be deducted when calculating the taxable income. There will be several notable exemptions, including for salaries earned by residents from overseas work, gains on a sale of a primary residence, and on a once-off basis, on a sale of a secondary residence. Exemptions will also be available for amounts equal to contributions made to pension schemes and health and educational expenses. Further details are expected to be clarified in the forthcoming executive regulations. This is a significant change as historically, personal income has generally been untaxed in the region. It also places certain obligations on employers and other entities which make payments to individuals. Ultimately, Oman Sultani Decree No. 56/2025 will create additional compliance obligations for individuals and entities operating in Oman and potentially also gives rise to penalties for non-compliance. For example, engaging in fraudulent activity such as knowingly reporting false information, or forging, concealing or destroying documents could lead to imprisonment for up to three years.

Oman Sultani Decree No. 56/2025 will come into force on 1 January 2028 and will apply to income earned from that point on. The tax year is defined as the Gregorian calendar year, from 1 January to 31 December. Individuals whose taxable income exceeds the OMR 42,000 threshold will have to submit their first tax returns within six months of the end of the tax year (i.e. by 30 June 2029). This law will be administered by the Omani Tax Authority (OTA) who will be responsible for receiving and processing tax declarations, carrying out tax assessments, collecting tax payments, and enforcing compliance. They are also responsible for issuing the executive regulations and any further implementation decisions required under Oman Sultani Decree No. 56/2025. The executive regulations will be issued by the OTA Chairman within one year from the law's publication (i.e. by June 2026). They are expected to provide further detail on several matters, including the procedures for claiming exemptions and deductions, documentation requirements for the submission of tax declarations, foreign tax credits, withholding obligations as well as administrative processes related to implementation. Although personal income tax applies to individuals, employers and certain other entities will have compliance obligations under this law. Employers must withhold and remit the tax on behalf of their employees in relation to salaries, pensions, end-of-service benefits, and board or committee membership allowances. In certain cases they will also be required to file returns on behalf of employees. Certain other entities (e.g. companies, government bodies, and institutions) may be required to withhold personal income tax on payments made to individuals (both residents and non-residents) in relation to non-salary income, such as business income, rent, or other taxable receipts. Oman Sultani Decree No. 56/2025 outlines withholding rates and thresholds but further detail on the withholding process is also expected in the executive regulations.

Husain Dawani of Al Tamimi & Company also contributed to this article.

across multiple jurisdictions. This often means engaging with multiple tax authorities who can interpret the same transaction or set of facts through different lenses and sometimes arrive at highly innovative interpretations and conclusions. There is no one-size-fits-all solution, but experience has taught me how to identify the type of information, analysis, or explanation most likely to satisfy a specific tax authority. Risk mitigation is a critical part of my role, though it can often present significant challenges.

While tax is my core area of responsibility, the same is not necessarily true for colleagues in other functions, who operate under different KPIs and focus areas. As a result, it can sometimes be challenging to convey the importance of tax related requirements and gain their active engagement. However, successful implementation of any new tax initiative or compliance obligation is also not possible without their support and collaboration, so I try to understand their perspective before presenting my own.

I try to focus more on effective communication, placing emphasis on 'the why part' of tax requirements, and clearly outlining the implication of compliance versus non-compliance. This approach has proven effective in both stakeholder management and achieving operational efficiency. I firmly believe my work has little significance if it does not contribute meaningfully to my stakeholders. At the same time, financial growth also feels incomplete if it is not accompanied by personal and professional growth. Hence, I regularly reflect on whether I am adding value to my stakeholders and to myself and over my 15-year career, I have been proud to be able to answer yes to both these questions most of the time.

ANY QUESTIONS?

WHAT DOES FORMAL ADOPTION OF OECD GUIDANCE MEAN

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Bhumit Gangar of Deloitte explains what the UAE 's formal adoption of OECD Guidance on Pillar 2 means in practice.

Following on from the issue of Cabinet Decision No. 142/2024 on Imposing a Top-Up Tax on Multinational Corporations and the implementation of the Organisation for Economic Cooperation and Development (OECD) Pillar 2 rules, the UAE has formally adopted certain OECD administrative guidance and consolidated commentary on the Global Anti-Base Erosion (GloBE) Rules via Ministerial Decision No. 88/2025. While the legislation laid the foundation by enacting the Qualified Domestic Minimum Top-Up Tax (QDMTT) and other key Pillar 2 aspects, the adoption of the OECD guidance has given shape and operational meaning to those rules.

The GloBE Rules are complex, targeting MNEs with global consolidated revenues exceeding EUR 750 million. These rules involve calculating jurisdictional effective tax rates (ETRs) and, where necessary, imposing top-up taxes to ensure a minimum tax of 15%. They also govern the application of three major rules: the Income Inclusion Rule (IIR), Under Taxed Profits Rule (UTPR), and the QDMTT. However, statutory language in either domestic or OECD model rules is often not enough to address the nuances and technical issues MNEs face in practice. This is where OECD administrative guidance becomes critical. It fills in interpretative and computational gaps, offering standardised rules for income calculation, tax allocation, safe harbors, and transitional provisions. The formal recognition of OECD guidance means that businesses can now rely on these interpretations with a reasonable degree of legal protection. Previously, there may have been uncertainty about whether local application of the rules would follow OECD interpretations verbatim.

Previously, MNEs operating in or through the UAE faced uncertainty on the interpretation and application of Pillar 2 rules. The formal adoption of OECD guidance now provides these businesses with reliable direction backed by legal authority. For example, the guidance has clarified how Substance-Based Income Exclusions are computed where assets are held on operating leases. It also explains how the starting point of the Pillar 2 income, i.e. the Financial Net Income or Loss (FANIL), is computed. There is an explanation of how the transitional provisions under Article 9.1 are applied and how transfer pricing adjustments are treated for Pillar 2 income computations. There is also information on how current and deferred taxes are allocated across entities and jurisdictions. With these areas clarified, MNEs can approach compliance, tax provisioning, and audit preparation with more confidence and structure. One of the major risks in Pillar 2 implementation globally is the potential for inconsistent application across jurisdictions. By aligning with the OECD guidance, the UAE promotes international consistency, especially vital for multinational groups with cross-border structures. A shared interpretative framework limits the possibility of conflicting rules leading to double taxation or compliance confusion. However, it is important to acknowledge a degree of tension remains. While jurisdictions are expected to ensure globally consistent outcomes, they are also empowered to interpret areas where the OECD guidance remains silent. This could lead to divergences in application over time if local authorities provide different interpretations in uncertain areas, as is already being seen in how various countries are implementing their domestic minimum top-up tax laws.

MNEs now have a clearer understanding of what is expected from them in terms of compliance, documentation, and reporting. This reduces ambiguity and helps internal tax, finance, and legal teams coordinate more effectively to ensure smooth compliance.

The OECD guidance plays a critical role in ensuring that the UAE's QDMTT meets the 'consistency standard' to qualify for QDMTT Safe Harbour status. If this standard is met, then MNEs would not need to apply the broader GloBE rules in other jurisdictions because the UAE's top-up tax would be considered sufficient. This simplifies compliance for MNEs by allowing a single jurisdictional calculation and ensures the UAE retains full taxing rights on domestic profits.

From a strategic perspective, businesses can no longer rely solely on domestic law. The adoption of OECD guidance means that businesses must now actively integrate global interpretations into their local compliance models. Given that OECD guidance is evolving, businesses also need to remain alert to future updates, as the UAE's formal adoption sets a precedent that future OECD releases may also be automatically incorporated into local practice. The UAE's formal adoption of OECD Pillar 2 guidance is a landmark step in transitioning from legislation to effective implementation. This will enhance legal certainty, help promote international consistency, clarify compliance expectations, and strategically position the UAE within the global tax framework.

Jan Roderick Van Abbe of Deloitte also contributed to this article.

Contributor

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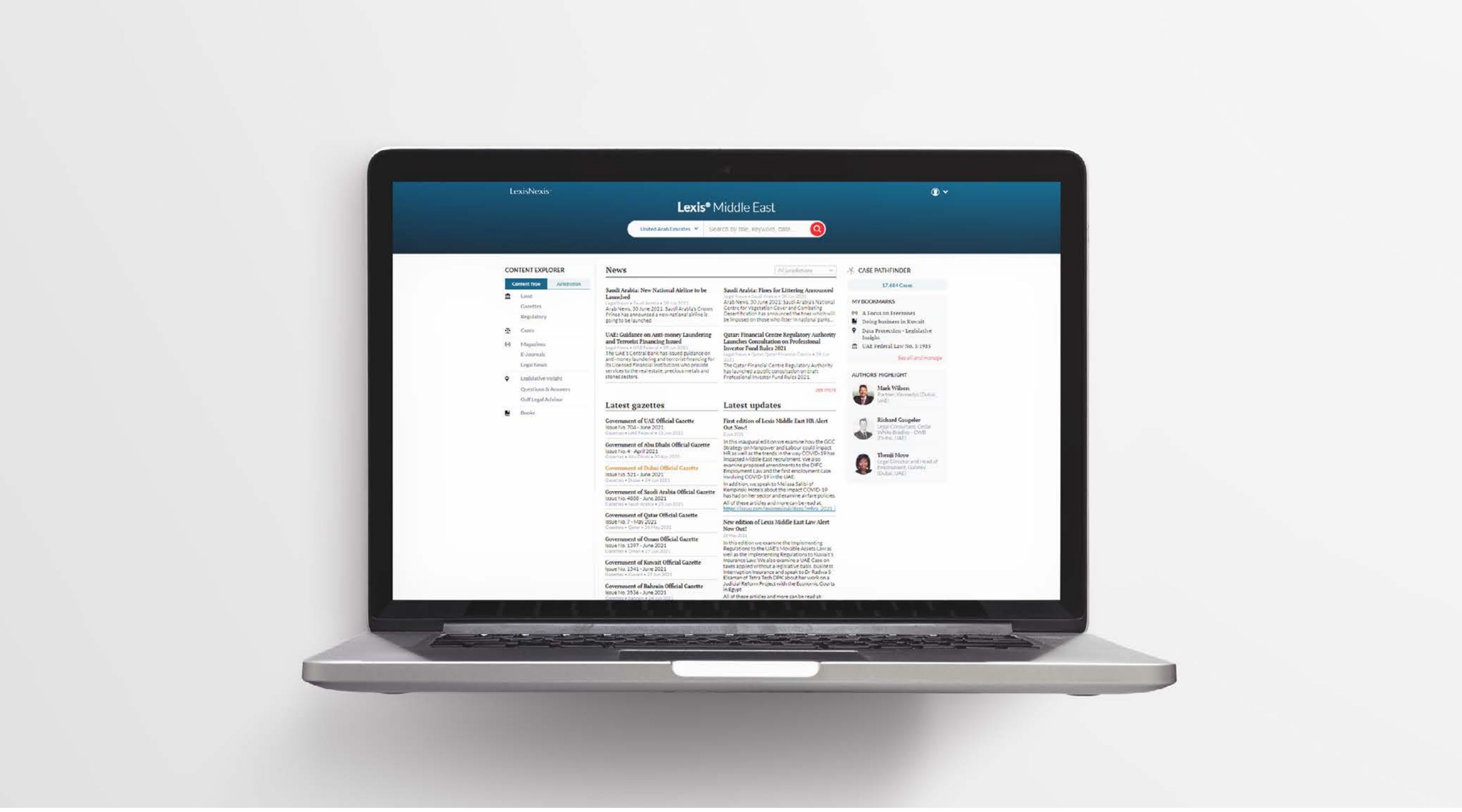

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