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Winter 2025

FEATURE **PILLAR TWO: THE NEXT CHAPTER**

What's next following developments across the GCC and in other jurisdictions

PROFILE **UTILITIES**

Tiago Albuquerque Dias of EWEC

ANY QUESTIONS

How to deal with retroactive change?

A ROUND UP OF TAX DEVELOPMENTS ACROSS THE MIDDLE EAST

WHAT TO TAKE INTO ACCOUNT

Understanding UAE accounting and audit requirements in a tax context





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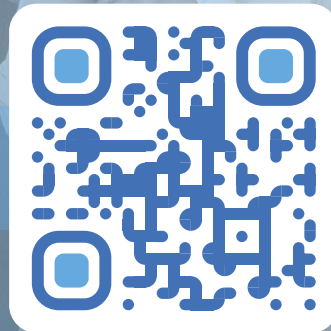
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TAX AND ACCOUNTANTS

Earlier this year, two separate regulations were issued in quick succession. One was issued by the Federal Tax Authority and covered the accounting and audit requirements for tax groups. The other was issued by the ADGM and covered financial statement requirements for Qualifying Freezone Persons. What these two distinct regulations have helped to highlight is just how complex the interaction between what the UAE tax authorities require, and other accounting and audit requirements across the UAE, have become.

An entity with an audit exemption or a specific accounts preparation requirement under one regime, may have a different set of requirements under another. As a result, in this issue, we have aimed to explain and clarify these differences. There are well over 40 freezones in the UAE, governed by different corporate law requirements both from entities in mainland UAE and each other. It is also common for entities to set up subsidiaries in multiple emirates and freezones. All this adds to the complexity of tax compliance. In this issue we not only explain the recent developments but also provide a clear explanation of how this all works from the baseline Federal position, as well as the special requirements for tax groups, the DIFC position, ADGM position and position in some other freezones.

However, one thing is clear - since the UAE brought in corporate income tax the relationship between accountants, auditors and tax teams has become much more interconnected. Compliance requirements are also continuing to develop, and in some areas are far more complex than in other jurisdictions. As a result, it has never been more important for those who work in these specific professions in the UAE to fully understand all these different requirements, which is the reason we publish this magazine and now also have a specialist Middle East Online Tax service, Tolley Plus Middle East.

Claire Melvin - Editor



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WHAT TO TAKE INTO ACCOUNT

Recent requirements on the accounts and audit of tax groups and ADGM Qualifying Freezone Persons have highlighted the complex interaction between tax and licensing authority requirements in these areas as Ghulam Ali of Rosemont Partners explains.

“The Federal Tax Authority (FTA) Decision No. 7/2025 introduced defined requirements for the preparation and audit of tax group financial statements, which come into effect for tax periods starting on or after 1 January 2025,” states Ghulam Ali.

“Around the same time, the ADGM Registration Authority issued new Guidance on Financial Statements for ADGM Entities which qualify as

‘Qualifying Free Zone Persons’ under Federal Decree-Law No. 47/2022 which explains how these entities should align their financial reporting and audit obligations under both the ADGM framework and the UAE Corporate Tax regime.”

“Together, these two developments signal a broader shift towards harmonising financial reporting and audit standards across different regulatory frameworks in the UAE,” Ali adds.

“Where an entity is covered by FTA’s corporate

AUDIT AND ACCOUNTING REQUIREMENTS ACROSS UAE FRAMEWORKS

| | UAE Corporate Tax | ADGM | DIFC | Other Free Zones |
|-------------------------------|---|---|--|--|
| Applicable Law | Federal Decree-Law No. 47/2022 and related Ministerial, Cabinet and FTA Decisions | ADGM Companies Regulations 2020 & International Accounting Standards (IAS) Rules 2015 | DIFC Companies Law DIFC No. 5/2018 | Other Free Zone Authority regulations |
| Definition of Group | Parent plus subsidiaries with ≥95% ownership and identical Financial Year and Financial standards | Parent or subsidiary undertakings with control via majority voting rights or dominant influence | Parent–subsidiary relationships based on ownership and control | Varies but generally follows the company law or IFRS definition |
| Accounting Standards | IFRS or IFRS for SMEs for separate financial statements Tax groups must prepare aggregated Financial Statements (AFS) by aggregating the standalone financial statements | IFRS/International Accounting Standards (IAS)/Standing Interpretations Committee (SIC)- International Financial Reporting Interpretations Committee (IFRIC) interpretations mandatory | IFRS required | IFRS/IFRS for SMEs as prescribed |
| Audit Threshold | Audit is mandatory if revenue ≥AED 50 million A tax group is subject to audit regardless of the group revenue | Small company/group exemption if turnover ≤USD 13.5M net / 16.2M gross and ≤35 employees | Small private company/group exemption if turnover <USD 5M and ≤20 shareholders | DMCC: audit is mandatory; IFZA: turnover ≥AED 3M; DDA: audit mandatory for all |
| QFZP Audit Requirement | Audit is mandatory regardless of turnover to qualify for 0% CT rate. | Corporate Tax overrides small group exemption — audit still required for QFZPs | Corporate Tax overrides audit exemption for QFZPs | Most Free zones align with FTA and require mandatory audit — QFZPs must also have audited statements |
| Auditor Requirement | FTA does not specify an auditor approval list - any UAE registered auditor can be appointed | All audits, regardless of their purpose, must be conducted by an ADGM-registered auditor | Auditors should be a DIFC-approved auditor | An authority-approved or UAE-licensed auditor as required |
| Record Keeping | Maintain accounting records for period of seven years following the end of the Tax Period | Minimum 10 years at registered office | At least six years from creation date | Varies but typically, six–ten years depending on authority |

KEY POINTS FOR TAX PAYERS

Review group structures and confirm whether a tax group application is appropriate

Ensure accounting standards are consistent across all entities under the same ownership.

Understand the differences between Federal Decree-Law No. 47/2022 requirements and licensing authority obligations

Both can impose distinct accounting and audit compliance rules.

Qualifying Free Zone Persons (QFZPs) and Tax Groups

These must maintain audited financial statements irrespective of turnover or the audit exemptions of their licensing authority.

Auditor

Use an approved auditor registered with your licensing authority.

Financial records

Maintain detailed financial records for at least the minimum statutory period.

Alignment

Align tax and financial reporting timelines to streamline compliance.

tax regime, or Free Zone regulations including those in the ADGM and DIFC, businesses are now expected to ensure their accounting and audit practices meet the requirements of both the tax regulator and the licensing authorities. So how do these frameworks compare, where do they intersect, and what do these evolving rules mean for taxpayers?"

THE FEDERAL BASELINE

"Under Federal Decree-Law No. 47/2022, every Taxable Person is required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS)," Ali states. "However, where a tax group has been approved by the FTA, additional rules apply. In line with FTA Decision No. 7/2025, a tax group for corporate tax purposes must prepare Aggregated Financial Statements (AFS) by aggregating the standalone financial statements of all group members and eliminating intra-group transactions."

"These aggregated statements are prepared solely for corporate tax purposes and may differ from the consolidated financial statements which are prepared under IFRS or IFRS for Small and Medium-sized Entities (IFRS for SMEs)," Ali adds. "Federal Decree-Law No. 47/2022 does allow some flexibility to smaller entities when it comes to accounting standards. Taxable Persons with annual revenue not exceeding AED 50 million may apply IFRS for SMEs, and those with annual revenue below AED 3 million may prepare financial statements on a cash basis."

Article 40 of Federal Decree-Law No. 47/2022 sets out the criteria for

forming a tax group, allowing two or more Resident Taxable Persons to be treated as one Taxable Person for corporate tax purposes. In order to qualify, the parent company must directly or indirectly own at least 95% of the share capital, voting rights, and profit entitlement of each subsidiary, and all members must have the same financial year and accounting standards. It is also important to note that Exempt Persons and Qualifying Free Zone Persons (QFZPs) are excluded from joining a tax group, regardless of ownership percentage. This is a difference from



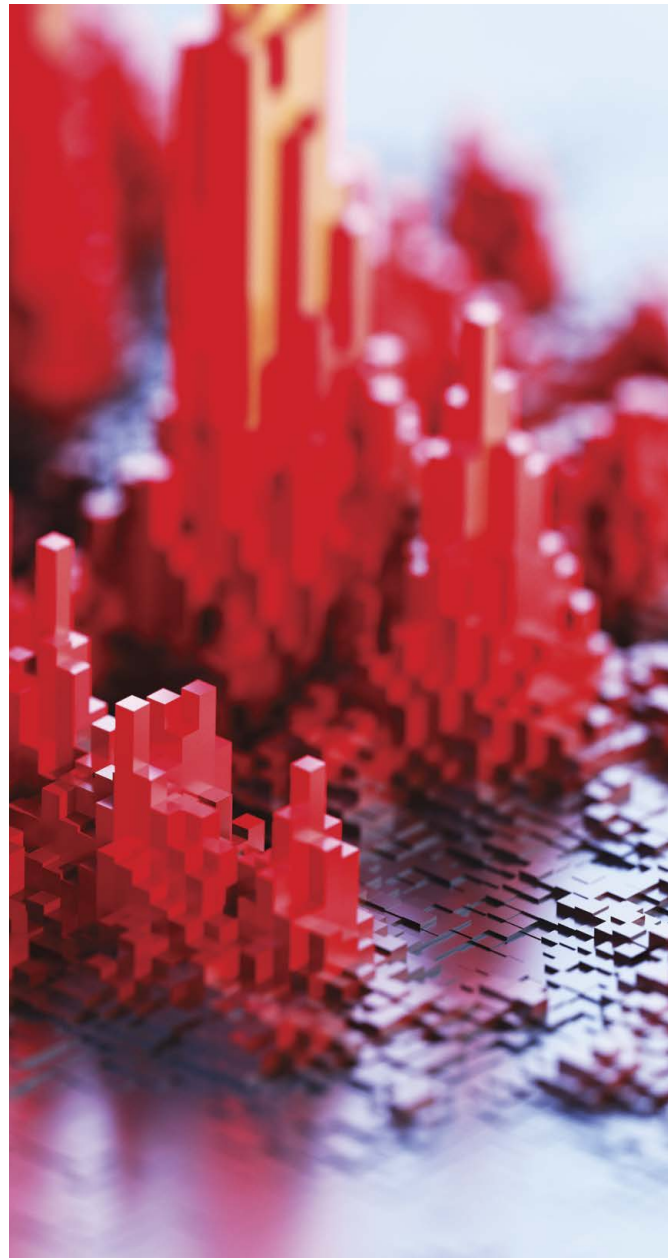
Ghulam Ali
Head of Client
Accounting
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Partners

most other regulatory and accounting frameworks, which typically determine group inclusion based solely on ownership or control thresholds, rather than on the tax status of the entity."

"Under Federal Decree-Law No. 47/2022, audited financial statements must be prepared and maintained by any Taxable Person with annual revenue exceeding AED 50 million and any Qualifying Free Zone Person (QFZP)," Ali continues.

"FTA Decision No. 7/2025 has also brought in additional audit requirements for tax groups. All tax groups must prepare audited special purpose financial statements for tax periods commencing on or after 1 January 2025, regardless of their revenue level."

"This is a specific audit requirement that applies to tax groups and is designed to ensure the accuracy of the aggregated financial statements for corporate tax purposes.





RELEVANT LEGISLATION

Article 40(1) of Federal Decree-Law No. 47/2022

A Resident Person, which for the purposes of this Decree-Law shall be referred to as a 'Parent Company', may apply to the Authority to form a Tax Group with one or more other Resident Persons, each referred to as a 'Subsidiary' for the purposes of this Chapter, if all of the following conditions are met:

- a. If the Resident Persons are juristic persons.
- b. If the Parent Company owns at least 95% of the share capital of the Subsidiary, either directly or indirectly through one or more Subsidiaries.
- c. If the Parent Company holds at least 95% of the voting rights in the Subsidiary, either directly or indirectly through one or more Subsidiaries.
- d. If the Parent Company is entitled to at least 95% of the Subsidiary's profits and net assets, either directly or indirectly through one or more Subsidiaries.
- e. If neither the Parent Company nor the Subsidiary is an Exempt Person.
- f. If neither the Parent Company nor the Subsidiary is a Qualifying Free Zone Person.
- g. If the Parent Company and the Subsidiary have the same Fiscal Year.
- h. If both the Parent Company and the Subsidiary prepare their financial statements using the same accounting standards.

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

"FTA Decision No. 7/2025 has brought in a requirement that all tax groups must prepare audited Aggregated Financial Statements (AFS), regardless of revenue. This highlights the fact that tax compliance obligations can go beyond the audit exemptions which might be permitted under licensing authority rules."

"The key point to note is that businesses cannot rely solely on understanding their licensing authority's audit thresholds or exemptions if they wish to benefit from the 0% corporate tax rate or form part of a tax group. The FTA requirements will take precedence in determining both audit obligations and group eligibility."

HOW TAX HAS CHANGED AUDIT PRACTICES

"Since the UAE brought in Corporate Tax, the relationship between accountants, auditors, and tax teams in the UAE has become more interconnected," Ali states.

"For example, businesses have adopted uniform IFRS standards to avoid discrepancies between tax and statutory accounts. In addition, many entities that were previously dormant or fell below audit thresholds have now voluntarily undergone audits in order to safeguard their tax position."

"There has also been an impact on the way auditors work, as they in turn, are tending to pay closer attention to the consistency between audited statements and corporate tax filings."

"The recent introduction of a special-purpose audit for tax groups has also further expanded auditors' role and has created an additional layer of assurance in the UAE over the financial information which is used to determine taxable income."

However, the parent and individual subsidiaries' financial statements do not need to be audited, even if a group member's standalone revenue exceeds AED 50 million."

KEY DIFFERENCES

"While all the regimes emphasise the preparation of IFRS-based financial statements, their approaches to audit exemptions and thresholds differs significantly," Ali states.

"For example, the ADGM and DIFC provide small-company audit exemptions; but these are overridden by Federal Decree-Law No. 47/2022 where an entity qualifies as a Qualifying Free Zone Person (QFZP) and wishes to benefit from the 0% tax rate. In contrast, free zones such as DMCC and those under the Dubai Development Authority (DDA) mandate audits and have effectively created a de facto alignment with UAE Federal tax requirements."

PILLAR TWO: THE NEXT CHAPTER

Countries across the GCC have been taking active steps to legislate on and implement Pillar Two. Mubeen Khadir and Shashank Chandak of KPMG look at what could happen next as a result of both where GCC states are now and the approaches other jurisdictions are taking.

All six GCC countries are members of the Organisation for Economic Co-operation and Development (OECD)'s Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS), so have committed to a common approach to global minimum taxation under the Pillar Two framework," states Mubeen Khadir. "Bahrain, Oman, Kuwait, Qatar and the UAE have also all now taken significant legislative steps to implement the required minimum tax requirements for large multinational enterprise groups (MNEs). However, this is not the end of the story."

US DEVELOPMENTS

"In Autumn 2025 there have been intensive discussions on the future of Pillar Two as a result of developments in the US," Shashank Chandak explains. "Some commentators have even speculated on the possibility of the regime not continuing as planned, as a result of the position been taken by the US."

"The US has been clear that no Pillar Two taxes should be levied on foreign subsidiaries which are owned by a US ultimate parent entity (UPE)," Khadir continues. "If that cannot be guaranteed the US authorities have threatened to reintroduce Section 899 to its tax code. This provision was intended to impose retaliatory taxes on

individuals and companies from foreign countries that levied certain taxes deemed to be 'unfair' to US businesses. However, this proposal was withdrawn from the final 2025 'One Big Beautiful Bill Act' (the US Federal Statute which contains the tax and spending policies at the core of President Trump's second term agenda) in June 2025 after an agreement with the G7."



Mubeen Khadir
Partner, KPMG



Shashank Chandak
Director, Tax & Corporate Services, KPMG

"If Section 899 were to be reintroduced into the US tax code, it would result in significantly increased withholding taxes on payments to countries, including those in the GCC that have imposed Pillar Two taxes," Chandak states.

"Currently, it is understood discussions are being undertaken in order to remove this risk. There have been some press reports that a so called 'side-by-side approach' is being discussed."

"This might allow the US tax system to be treated as a 'side-by-side or SbS regime' within the Pillar Two framework. According to leaked media reports this could potentially see groups with a UPE located in an SbS regime being exempt from Pillar Two taxation."

"It has been claimed that the current thinking is that an SbS jurisdiction would need to have a comprehensive tax system for the taxation



© Getty images

of income in the home country; that tax system would have to ensure a certain minimum taxation of profits in foreign subsidiaries; and the tax system would have to accept and give foreign tax credit for qualifying domestic minimum top up tax (QDMTT). At present, it appears only the US is being considered for potential SbS status, but it could also possibly apply to other jurisdictions in the future.”

GCC STATUS

“Despite these concerns, five GCC countries except Saudi Arabia (which has yet to issue its own Pillar Two legislation) now have their own Pillar Two legislation in place, and have gone ahead with the implementation of Pillar Two rules,” Chandak adds.

“In Kuwait, Kuwait Decree-Law No. 157/2024 Promulgating the Law on the Taxation of Multinational Enterprise Groups and its implementing regulations, Kuwait Ministerial Decision No. 55/2025 were issued in June 2025 in order to enable registration by in scope large multinational enterprise groups to be completed by 30 September 2025.”

PRACTICALITIES IN BAHRAIN

“Bahrain was the first GCC country to issue its DMTT law (Bahrain Decree-Law No. 11/2024) with detailed Implementing Regulations (Bahrain Decision No. 172/2024) following shortly after,” Khadir states.

“The Bahrain tax authority, the National Bureau for Revenue (NBR) has since released a large number of guidelines to assist MNE groups with compliance. The NBR portal has been completely transformed and centralised taxpayer identification Number (TIN) based registration now applies. Only after obtaining a TIN can an entity apply for tax registration for taxes including DMTT, VAT and Excise tax.”

“Entities that were already registered for VAT/Excise did not have to create a new profile with NBR in order to complete their DMTT registration,” Khadir adds.

“One unique feature of Bahraini DMTT is that MNE groups subject to it must make advance tax payments for each quarter during the Fiscal Year within 60 days from the end of each quarter. Although in the transition year, the first advance tax payment is deferred and payable along with the second advance tax payment of the same fiscal year.”

“Bahrain DMTT legislation also contains general anti-abuse provisions, so MNE groups that have undertaken any restructuring in the recent past or are planning to do so must be able to prove that restructuring has been undertaken for genuine commercial purposes and not primarily to obtain a tax advantage,” Khadir continues.

“There is a choice of two methods for calculating the advance tax payments – the prior year or current year method. The prior year method is based on estimation of previous fiscal year’s DMTT liability, and the current year

method is based on a DMTT liability estimation for the period starting from the beginning of the fiscal year until the end of the advance payment period. However, once a particular method has been selected, that method cannot be changed for that fiscal year.”

“MNE groups which have indicated eligibility for any exclusions or safe harbors as part of their DMTT registration application do not need to make advance tax payments,” Khadir continues. “However, these groups need to monitor their eligibility for the relevant exclusion on an ongoing basis. Election for exclusions are made at the time of registration based on information for the previous Fiscal Year, so that analysis must be revisited based on the information available as of the date and if required, updates to registration information need to be made within the prescribed deadlines. These groups also need to prepare and maintain proper documentation to support their nil top-up tax position.”

“There is also now a requirement in Bahrain to submit the annual DMTT return within 15 months of the end of the relevant fiscal year. Currently, it is expected the Bahrain DMTT return will follow the standardised reporting requirements of the GloBE Information Return, but the return’s exact format is yet to be released,” Khadir explains.

“Further Ministerial Decisions are also yet to be issued on areas including the circumstances in which a non-resident entity would be considered to have a ‘nexus’ in Bahrain to determine if they have a Permanent Establishment (PE) exposure in Bahrain, and a decision on Material Competitive Distortions (MCD) which is needed by MNE Groups which follow different accounting standards than International Financial Reporting Standards (IFRS) in order to determine the requirements for making tax adjustments to counter the MCD arising from use different accounting standards. A decision on the conditions and controls for applying the Simplified Computation Safe Harbor is also expected to be released in due course,” Chandak continues. “Bahrain is also currently expected to implement a broad-based Corporate Income Tax (CIT) that will apply to most businesses, subject to some potential carve outs. Once this happens MNE groups subject to the Pillar Two rules will have to first compute their tax liability under the broad based CIT legislation and then compute the top-up tax as per the DMTT rules.”

INCOME INCLUSION RULES

“Pillar Two is based on the combined effect of three types of charging provisions – the DMTT, IIR and what is known as the Under Taxed Profits Rule (UTPR),” Khadir states.

“In Oman, Oman Sultani Decree No. 70/2024 On the Promulgation of the Law of the Top-Up Tax on Constituent Entities of Multinational Groups now exists. While in Qatar, Qatar Law No. 22/2024 has amended the Income Tax Law Qatar Law No. 24/2018,” Chandak states.

“Both of these jurisdictions have not only brought in DMTT but they have also introduced provisions for implementing the Income Inclusion Rule (IIR).”

“Under this mechanism top up tax is paid in the country of the UPE or country of the intermediate parent entity.”

“At present in Qatar, the Implementing Regulations (Qatar Cabinet Decision No. 39/2019) to Qatar Law No. 24/2018 are yet to be updated to take into account this change. In addition, Article 5-7 of Oman Sultani Decree No. 70/2024 provides some detail on how IIR will operate there but further detail on how this will work in practice is still expected in forthcoming implementing regulations.”

QUALIFIED STATUS

“In order to ensure these three rules on DMTT, IIR and UTPR work together as intended, any tax paid under a ‘qualified’ DMTT is treated as fully creditable against another jurisdiction’s qualified IIR or qualified UTPR. Whilst the BEPS IF has proposed a common peer review for granting qualified status to the local legislation, it also recognises a full legislative review is not possible in the short term.”

“Therefore, a simplified transitional qualification mechanism allows swift recognition of the qualified status of a jurisdiction’s legislation on a temporary basis.”

“Under this mechanism, implementing jurisdictions submit information on the main features of their legislation to the OECD and this information is shared with IF members,” Khadir states.

“If no questions are received from IF members or any questions from IF members are resolved, the implementing jurisdiction’s legislation is recorded as having the transitional qualified status in the OECD’s central record of legislation with transitional qualified status.”

“In August 2025, the OECD updated its central record and have added the UAE to the list of jurisdictions which has qualified DMTT status, making it the first GCC country to have officially received that status. The UAE had previously adopted OECD guidelines on Pillar Two through Ministerial Decision No. 88/2024,” Chandak adds.

“Currently, the other GCC states, have not had their legislation listed on the OECD’s central record and at present there is no information in the public domain on whether the self-certification process has been completed for these other GCC countries,” Khadir explains.

“However, it is important to remember that the fact that a jurisdiction’s legislation is not included in the central record does not mean that the legislation is not qualified. It only means that the self-certification process has not been initiated or completed.”

“With key implementation details still being developed across the GCC in this area, MNE groups must remain agile, informed, and proactive,” Chandak adds.

“The journey toward Pillar Two’s coordinated international tax system has only just begun and could still change dramatically in some parts of the world, despite the fact that the groundwork in most of the GCC is firmly in place for the future.”

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TAX NEWS ROUND-UP

COVERING RECENT KEY DEVELOPMENTS – REGION-WIDE

UAE

NEW SUGAR TAX REQUIREMENTS



The Federal Tax Authority (FTA) has outlined new requirements for beverage producers and importers ahead of a tiered sugar tax implementation which is planned for early 2026. This follows the GCC's Financial and Economic Cooperation Committee decision to standardise excise tax calculations across member states. Under the new regime, manufacturers will have to obtain Accredited Conformity Certificates which verify the sugar content of their products. As part of the certification process laboratory testing from approved facilities will be required in order to determine precise sugar levels per 100 millilitres of the product. The tax structure has four distinct categories: drinks with 8g or more sugar per 100ml will face the highest tax rate, those with 5-8g sugar per 100ml will be charged a moderate tax rate, and drinks with less than 5g sugar per 100ml will be liable to a lower tax rate. Sugar-free drinks with artificial sweeteners will be eligible for a zero tax rate. Products without proper certification will automatically be classified in the highest tax bracket until laboratory results prove otherwise. Approved laboratories will need to be accredited by recognised bodies such as the Emirates National Accreditation System or those certified under ISO/IEC 17025. The new regime will apply to all beverages containing added sugars or sweeteners, including concentrates, powders, and gels. Natural sugar-only drinks will be exempt from the

tax, and energy drinks will maintain their current 100% excise rate. Businesses can apply for certification now through the Ministry of Industry and Advanced Technology's online platform.

SMOKING PRODUCTS



Ministerial Decision No. 249/2025, Regarding Exception of Smoking Cessation Products from the Definition of Tobacco and Tobacco Products for the Purposes of Cabinet Decision No. 52/2019 on Excise Goods, Excise Tax Rates and the Methods of Calculating the Excise Price and its Amendment has now excluded nicotine-based smoking cessation products from the definition of tobacco and tobacco products under Cabinet Decision No. 52/2019. Products which fall under specific HS Codes within Chapter 24 which include nicotine gum, tablets, patches, sprays, nose drops, and injections are now expressly excluded from the 'tobacco and tobacco product' classification. The change came into effect on 1 October 2025, and those items were no longer subject to excise tax from that date.

PENALTIES



Cabinet Decision No. 129/2025 has been issued amending Cabinet Decision No. 40/2017 which covers administrative penalties imposed as a result of violations of UAE state tax laws. Changes include amendments to the law's definitions. There have been alterations to Table 1 which covers violations and

Administrative Fines Relating to the Application of Federal Decree-Law No. 7/2017 on Tax Procedures, as well as amendments to Table 3 which covers Violations and Administrative Fines related to the Application of the Federal Law No. 8/2017 on Value Added Tax.

SAUDI ARABIA

APPROACH TO SUGAR



In line with steps being taken in the UAE and following approval from the GCC's Financial and Economic Cooperation Committee to standardise excise tax calculations across member states, authorities in Saudi Arabia have announced they will implement a new taxation system for sweetened beverages from January 2026. This will replace the current flat-rate 50% retail tax with a tiered system based on sugar content per 100 millilitres. As a result, the Zakat, Tax and Customs Authority (ZATCA) ran a consultation which ended on 23 October 2025 which included the publication of draft amendments to the Implementing Regulations of the Excise Goods Tax Law (Saudi Arabia Administrative Decision No. 2017-1-9/1438). As will be the case in the UAE the new regulations will apply to all beverages containing added sugars or artificial sweeteners, including ready-to-drink products, concentrates, powders, gels and any products that can be converted into drinks. ZATCA plans to conduct awareness workshops with industry stakeholders to explain the new technical requirements before the implementation of the change.

TAX TREATY UPDATE

Oman: Austria has approved the signing of a double taxation treaty with Oman.

UAE: Federal Decree-Law No. 131/2025 has been issued ratifying a double taxation agreement on income and capital taxes and the prevention of tax evasion and avoidance with the Central African Republic.

Jordan: Kuwait and Jordan have signed a protocol amending their existing double taxation agreement. The amendments have incorporated Organisation for Economic Co-operation and Development (OECD) standards designed to combat misuse of tax agreements.

Kuwait: Authorities in Kuwait have announced they wish to conclude a double taxation treaty with Panama.

OMAN

VAT AND GCC TRADING



Omani tax authorities have issued VAT Guidelines for firms trading with other GCC countries. The guidance includes two primary options for Omani companies purchasing goods from the UAE. Under the first option, businesses can arrange with UAE suppliers to treat transactions as export supplies, qualifying for zero-rated VAT status. This requires

proper export documentation in order to comply with UAE tax regulations. Under the second scenario UAE VAT has already been paid. There are then two recovery routes - businesses can either obtain a credit note from their UAE supplier after providing proof of export or can directly request a refund using the Business Visitor VAT Refund Form, if they have no permanent establishment in the UAE.

MARITIME SECTOR



The Omani Tax Authority has announced the suspension of 'Withholding Tax' on service contracts provided onboard ships registered under the Omani flag, for a period of five years. The aim is to encourage the registration of ships under the Omani flag, bolster the national maritime transport and services sector in Oman and attract quality investment into the maritime transport industry there. The suspension took effect from 1 September 2025 and will continue for five years until 31 August 2030. The exemption includes withholding tax due on service contracts provided onboard ships which have acquired Omani nationality and are officially registered with the relevant authorities in Oman. In order to benefit taxpayers must submit an application to the Omani Tax Authority through the electronic portal (using Income Tax Return Form No. 18), indicating the value of the tax due on the total services provided onboard ship. The application must be submitted on the 14th day after the end of the month in which the amount was due or credited to the account, at the latest whichever is earlier.

DIGITAL STAMPS



Strict new regulations requiring digital tax stamps on soft drinks and energy beverages, from 1 November 2025 have been issued in Oman. The sale and distribution of these types of beverages will be prohibited unless they display the new official distinctive marking. The regulations specifically target excise beverages, which must now carry Digital Tax Stamps (DTS) in order to be considered to be compliant for sale or distribution within the country. It is important to note sweetened drinks are exempt.

QATAR

CUSTOMS DUTY EXEMPTIONS



Qatar's General Authority of Customs has outlined comprehensive duty exemptions covering personal luggage, postal parcels, and household relocations. Travellers can bring personal items and gifts duty-free into Qatar, provided individual gifts do not exceed QR3,000 in value. The policy also permits specific allowances for tobacco products, including up to 400 cigarettes or 20 cigars, with a total value cap of QR3,000. In the case of postal items, the authority has set a duty-free threshold of QR1,000 for personal parcels and mailings. However, the exemption only applies to unrestricted items which have been imported under an individual's name. Qatari citizens returning from abroad can also import used personal effects and household goods duty-free for their own personal use. Non-Qatari residents must import their household items within six months of their arrival in the country and provide employer documentation and residence permits. New residents must sign an agreement not to sell the imported items for at least one year after their entry, and penalties and duties apply in the case of breaches. The authority has also noted that new household appliances or furniture may not qualify for the exemption.

BAHRAIN

ZERO RATING



Bahrain's Parliament is set to vote on amendments to its VAT legislation which would extend zero-rating to social care services. These proposals would apply zero-rated VAT to the supply of social care services and related goods provided to qualifying organisations. They would affect services provided by social and cultural societies, clubs, and private organisations operating in the youth and sports sectors.

EGYPT

VAT DEDUCTIONS



Two Ministerial Decrees have been issued modifying Egyptian VAT

IN BRIEF

Saudi Arabia: Saudi Arabia Ministerial Decision No. 17674/1447 has amended the fee category and increased customs duty rates of eight customs tariff items, including various items used in welding, specific types of electric cables and can covers and bottoms...

OECD: The Organisation for Economic Co-operation and Development (OECD) has updated its guidance on permanent establishment (PE) treatment for international remote workers which provides more clarity on the corporate tax implications of working from private accommodation, a holiday home or hotel...

UAE: Travellers must now declare cash, negotiable instruments, precious metals, or valuable stones which are over AED 60,000 using official customs forms or risk confiscation or penalties...

Oman: Oman Customs has issued guidelines on declaring cash and precious metals at border checkpoints, with penalties of up to three years imprisonment and fines of up to OMR10,000 for non-compliance...

UAE: Federal Law No. 4/2025 has been issued on the introduction of a national digital zakat platform in the UAE which applies to every person who receives, collects, or distributes zakat within the UAE including in financial and non-financial free zones...

regulations, expanding tax deductions and adjusting payment terms for construction projects. VAT deductions have been expanded to include financing and construction costs, as well as the existing allowances for production, operating, sales, distribution, and administrative expenses. The changes will affect contracts which have certified payment certificates or electronic documentation that was issued before Egypt Law No. 157/2025 (which introduced amendments to the Egyptian VAT law (Egypt Law No. 67/2016)). The amendments include extended suspension periods for VAT payments on dismantled production lines, new calculation methods for ongoing construction projects spanning both pre- and post-July 2025 and broader definitions of indirect inputs which are eligible for tax deductions. As a result, the suspension period for VAT payments now runs from the final component purchase or customs clearance date for production equipment delivered in multiple shipments.

FOCUS ON FAMILY WEALTH

On 19 September 2025, the UAE Federal Tax Authority (FTA) issued Public Clarification CTP008, Corporate Tax treatment of family wealth management structures, which provides additional guidance on the UAE corporate tax implications for wealth management and succession planning vehicles.

UNINCORPORATED PARTNERSHIP STATUS

CTP008 builds on an expanding body of guidance which addresses the tax treatment of structures which are commonly used for wealth management and succession planning. Under the UAE corporate tax law (Federal Decree-Law No. 47/2022), foundations and other wealth planning vehicles, structured as legal persons are classified as taxable persons and are therefore potentially subject to UAE corporate tax.

However, as an exception to this general rule, Article 17 of Federal Decree-Law No. 47/2022 allows 'family foundations' to elect fiscally transparent treatment as 'unincorporated partnerships', if all the following conditions are met:

- The foundation is established for identified or identifiable natural persons, a public benefit entity or both.
- The foundation's principal activity is limited to receiving, holding, investing, disbursing or managing assets or funds associated with savings or investments.
- The foundation does not conduct activities that would constitute a business if undertaken directly by founders, settlors or beneficiaries.
- Tax avoidance is not a main or principal purpose for the foundation.

Article 5 of Ministerial Decision No. 261/2024, extended the application of Article 17 of Federal Decree-Law No. 47/2022 to juridical persons which are wholly owned by a tax transparent family foundation, provided such wholly owned vehicles themselves meet the Article 17 of Federal Decree-Law No. 47/2022 requirements.

On 28 May 2025, the FTA released a Corporate Tax Guide on the Taxation of Family Foundations,

which provides comprehensive guidance on the qualification requirements family foundations must meet in order to benefit from unincorporated partnership status.

CTP008 now provides additional guidance which extends beyond family foundations to cover other wealth planning vehicles, including holding companies, special purpose vehicles, Single Family Offices (SFOs), Multi Family Offices (MFOs), and the tax treatment of distributions which are received by natural persons.

OTHER OPTIONS FOR THESE ENTITIES

It is also important to note that foundations that do not meet the eligibility requirements for treatment as an unincorporated partnership under Article 17 of Federal Decree-Law No. 47/2022 but are otherwise structured as a Qualifying Free Zone Person may benefit from a 0% corporate tax rate on specifically designated Qualifying Income. Foundations may also qualify for a participation exemption regime on dividends and capital gains, subject to meeting the relevant conditions under Article 22 and 23 of Federal Decree-Law No. 47/2022.

In addition, where a wealth planning vehicle does not have separate legal personality (as would be the case, for example, for an ADGM or DIFC trust), it is treated as tax transparent by default, without the need to opt into such treatment under Article 17 of Federal Decree-Law No. 47/2022.

SINGLE AND MULTI FAMILY OFFICES

A key point found in the new guidance is that CTP008 now indicates that SFOs and MFOs can potentially be structured to meet the eligibility requirements of Article 17 of Federal Decree-Law No. 47/2022.

However, if they fail to do so, and to the extent they are formed as legal persons, family offices would be subject to UAE corporate tax on any income earned.

The guidance has also recognised that SFOs and MFOs may be treated as Qualifying Free Zone Persons, although SFOs will face considerable challenges in realising Qualifying Income in the case of a typical SFO investment management framework. This is because the FTA's Corporate Tax Guide on Free Zone Persons specifies that wealth and investment management services can be treated as a Qualifying Activity only when these activities are subject to regulatory oversight by competent investment authorities (i.e. the UAE Central Bank, Dubai Financial Services Authority (DFSA) in the DIFC, the Financial Services Regulatory Authority (FRSA) in the ADGM, or the UAE Securities and Commodities Authority (SCA)).

SFOs which manage investments for a single family operate outside of this regulatory framework and therefore, would not be able to qualify for preferential 0% tax treatment on wealth and investment management services. Expanding services to third parties would trigger the necessary regulatory oversight to meet the requirement, but this would

also exceed the SFO license parameters and would effectively transform the entity from an SFO to an MFO.

It is important to note CTP008 has confirmed that merely holding a family office license, without having the applicable regulatory oversight, is insufficient for the income derived from these activities to be treated as Qualifying Income.

In addition, in the context of family offices, CTP008 has also reaffirmed that family offices must be remunerated at arm's-length for any services they provide to its related parties (see Article 34 of Federal Decree-Law No. 47/2022).

NATURAL PERSON BENEFICIARIES

Natural person beneficiaries of a family foundation should not be subject to UAE corporate tax on income distributions received from family wealth management vehicles, irrespective of whether the vehicle has elected fiscally transparent treatment under Article 17 of Federal Decree-Law No. 47/2022 or whether the vehicle is treated as a separate taxpayer for UAE corporate tax purposes, provided these distributions qualify as either Personal Investment Income or Real Estate Investment Income—neither of which is taxable in the hands of a natural person taxpayer.

EXAMPLES

CTP008 also includes several case studies, structure charts and explanations of the corresponding tax consequences. Examples 1-4 help to illustrate the interaction between a family office and a foundation with underlying holding companies. In addition, Example 3, which explains what happens when a DIFC Foundation owns an SFO, which in turn holds a HoldCo with two underlying SPVs is particularly helpful. This is because in such a case the SFO is not eligible for Article 17 treatment under Federal Decree-Law No. 47/2022 and the fiscally transparent status of the underlying vehicles (the HoldCo and SPVs) would also be compromised. This helps to show the importance of careful structuring of SFOs within a family wealth framework.

WHAT'S NEXT?

Following the issue of CTP008, families and their tax advisers should be reviewing their existing wealth management structures to ensure compliance with UAE corporate tax law. Having done this, they should assess whether restructuring is now required. Any such review should include confirming eligibility for Article 17 of Federal Decree-Law No. 47/2022 treatment across all levels of a multi-tier structure, determining the optimal approach for structuring SFOs within the broader family wealth setup, and verifying that arm's-length pricing for intra-group services has been properly applied and documented.

This article is written by Jacopo Crivellaro, of Counsel, Baker McKenzie.



Jacopo Crivellaro
Baker McKenzie

TAX PROFESSIONAL PROFILE

HEAD OF TAX – UTILITIES



The Public Sector Position

Working in the public sector where exemption status can be more complex creates challenges which require a specific analytical approach as Tiago Albuquerque Dias, Head of Tax at EWEC explains.

BACKGROUND

Most Heads of Tax come from a direct-tax background. My career began in law, working in tax advisory and litigation before moving into professional services. I then worked at Deloitte Portugal, where I specialised in VAT, Excise, and Customs, advising large real estate and financial-sector clients and representing them in tax litigation and arbitration. Later, at EY in the Middle East, my focus was on VAT implementation in the UAE and Saudi Arabia, along with broader indirect-tax advisory work across a range of industries throughout the GCC. Then after a decade as a tax adviser, my first in-house leadership role was in the media sector at MBC Group, where I built the tax function from the ground up, designing and implementing the group's tax operating model and governance framework, led tax restructuring across Europe, the Middle East, and North Africa, managed IPO readiness and multi-jurisdictional tax compliance, and oversaw tax disputes and litigation in the GCC and Levant. I then moved to NEOM in Saudi Arabia where the focus was large-scale infrastructure and investment projects. I led the design and implementation of tax structures for inbound and outbound investments, tax M&A, and the redesign of the group's IP and transfer pricing policies.

CURRENT ROLE

Currently I am the Head of Tax at Emirates Water and Electricity Company (EWEC). EWEC is the sole procurer and supplier of water and electricity in Abu Dhabi. We are responsible for system planning, forecasting, purchasing, and dispatching to ensure a continuous balance of bulk supply across the Emirate and beyond. EWEC also has a pivotal regulatory role in advancing the UAE's clean-energy and water-security goals, directly contributing to the Clean Energy Strategic Target 2035, the UAE Water Security Strategy 2036, and the Net Zero by 2050 initiative. From a tax-policy and legal perspective, EWEC's public-sector mandate can present challenges. Like other government-related entities, we have to navigate Corporate Income Tax exemptions (both full or partial), Pillar Two, as well as potential mismatches between domestic and Pillar Two exemptions, treaty eligibility, and the treatment of government grants. Our sector's profile also creates issues with traditional tax KPIs, as entities are fully or partially exempt, metrics such



as the effective tax rate have limited relevance. Instead, emphasis shifts to governance, transparency, and ESG-aligned reporting, as regulators and shareholders expect the same level of accountability as fully taxable enterprises. In this context, I have developed and implemented EWEC's tax operating model and oversee all tax matters, including CIT, Pillar Two, VAT, Transfer Pricing, audits, and litigation. Uncertainty surrounding exemption status can also affect liability determination, transfer pricing, and pricing models. It has complicated financial disclosures and external audit, particularly during the UAE's first Corporate Income Tax year. To mitigate this, our tax team has implemented a proactive readiness framework, conducting impact assessments, building scenario-based models, and have developed governance and documentation protocols to support evolving interpretations. Continuous engagement with shareholders, advisers, auditors, and the regulator helps ensure alignment and enables us to respond confidently to the tax uncertainty. In addition, in common with the sector, most of our long-term agreements, were executed before the VAT and Corporate Income Tax were introduced in the UAE. Implementing these taxes has required a systematic review of legacy contracts, pricing models, and, where relevant, the creation of reimbursement and compensation frameworks in order to preserve the original economic balance and tariff structure. The same considerations also now apply to new infrastructure projects, where the tax team is

PRACTITIONER PERSPECTIVE



Janet Gooi
Partner
Clyde & Co

Janet Gooi of Clyde & Co explains tax exemptions for UAE public sector entities along with some of the emerging challenges in this area.

As well as a competitive 9% headline tax rate, the UAE corporate income tax regime, offers broad exemptions for core public functions. These exemptions help safeguard the use of public resources by recognising their role in serving public interest and avoid the needless recirculation of government funds through taxation. Available exemptions can help government controlled entities (GCEs), support the delivery of strategic services and infrastructure which aligns with national priorities. However, the reality for publicly owned companies, particularly those structured as GCEs, is far more nuanced, and as this is a continuously evolving area, public sector groups have to carefully evaluate their structures and tax obligations. Under the UAE corporate tax framework, standard government bodies (Federal and local governments, ministries, departments and public institutions) enjoy a largely straightforward exemption. However, GCEs and similar bodies have to satisfy specific conditions in order to access the exemption - not every GCE or its activities qualify for an exemption. A GCE is any juridical person, directly or indirectly wholly owned and controlled by a government entity, as specified in a Cabinet Decision. Only GCEs performing mandated activities, as set out in their founding legal instrument and listed in a Cabinet Decision, can benefit from the corporate tax exemption. Commercial or ancillary operations which fall outside this mandate are subject to corporate tax. For example, a state-owned infrastructure company, might find its regulated utility services are exempt, while other trading arms conducting non-mandated activities are likely to fall within the scope of corporate tax. Where a government entity or GCE conducts non-mandated activities, it is treated as an independent business and must maintain separate financial statements, standalone tax calculations, and arm's length pricing on all transactions between the exempt 'core' and the taxable segment.

Qualifying public benefit entities (such as approved charities and similar organisations) can also generally secure exemption if they dedicate their activities to public welfare and commit their assets exclusively for the qualifying purposes. In practice, the line between 'mandated' and 'commercial' activities is often not clear-cut for larger GCEs. Whilst published guidance is developing, many public sector bodies are currently navigating complex grey areas. Distinguishing between exempt and taxable activities can be complex for GCEs, as uncertainty in determining whether an activity falls within scope of their statutorily mandated activities may result in incorrect tax treatment. Transfer pricing rules can further exacerbate these challenges, as transactions between mandated and non-mandated segments must reflect market terms, and robust documentation needs to be maintained contemporaneously. Some exempt entities are not required to register for corporate tax, but certain exempt entities are not entirely free from administrative obligations. Many have to register for corporate tax to allow the FTA to monitor their ongoing compliance. In diversified public sector groups, multiple subsidiary layers intensify the complexities. A GCE parent may retain exemption for mandated operations, but its subsidiaries could be subject to tax depending on the nature of their activities. Sovereign funds with commercial arms also need entity-by-entity eligibility assessments, and mixed structures involving free zones, mainland operations, or foreign entities can create permanent establishment risks and residency uncertainties. Exempt government entities and GCEs (even if they conduct business) cannot form or join a tax group. These exempt entities are also ineligible for reliefs related to business restructuring and transfers of tax losses. Finally Domestic Minimum Top Up Tax (DMTT) legislation also has specific exemptions for government entities, so groups also need to assess eligibility for any relief under these rules.

Liam Thomas of Clyde & Co co-authored this article.

playing a strategic role in drafting forward-looking tax clauses which anticipate future legislative or policy shifts. This proactive design helps to ensure fiscal stability, investor confidence, and long-term resilience in Abu Dhabi's utility sector. The modern tax function cannot rely solely on manual processes. Therefore, our team has also launched a tax-transformation programme using AI-driven automation, Power Automate workflows, intelligent bots, and Power BI dashboards. These agentic AI tools manage data collection, reconciliation, and compliance monitoring, and free the team to focus on governance, analysis, risk management, and strategic engagement with stakeholders.

CHALLENGES

One of the main challenges in our sector is governing

complexity and managing multiple stakeholders. Infrastructure and utilities entities operate in a multi-layered environment which includes regulators, auditors, and government authorities including the Federal Tax Authority (FTA) and Department of Finance. Each major project has its own legal, financial, and tax framework that must align with Federal legislation, regulatory requirements, and budgeting cycles, which can often differ from tax-reporting timelines. To manage this, we have adopted a governance-by-design model and map all tax processes and embedding controls throughout. Power Automate workflows help streamline documentation and task tracking, while agentic AI consolidates data, identifies anomalies, and generates risk dashboards for management oversight, enhancing transparency and operational efficiency.

ANY QUESTIONS?

HOW TO DEAL WITH RETROACTIVE CHANGE



Markus Susilo of Baker Tilly looks at issues which can arise under UAE law when tax legislation change comes in with retroactive force.

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When it comes to freezone companies and the conditions required for them to benefit from the preferential 0% corporate tax rate in the UAE, one of the key conditions is that a Qualifying Free Zone Person (QFZP) must derive Qualifying Income (QI). One of the conditions in the definition of QI is that the income must be derived from transactions with Free Zone Persons who are the beneficial recipients of goods and services, or with Non-Free Zone Persons in respect of Qualifying Activities (QA). QI was originally defined in Cabinet Decision No. 55/2023 which was repealed and replaced by Cabinet Decision No. 100/2023 On Determining Qualifying Income for the Qualifying Free Zone Person for the Purposes of Federal Decree-Law No. 47/2022 on the Taxation of Corporations and Businesses. In addition, around the same time, Ministerial Decision No. 265/2023 Regarding Qualifying Activities and Excluded Activities for the Purposes of Federal Decree-Law No. 47/2022 on the Taxation of Corporations and Businesses was issued to align with the changes brought in by Cabinet Decision No. 100/2023. Notable changes included the inclusion of Qualifying Intellectual Property (QIP) as a new source of QI, as well as the addition of Trading of Qualifying Commodities as a QA, and clearer definitions for Excluded Activities. IP ownership or exploitation was also removed from the list of Excluded Activities, consistent with the introduction of QIP as a QI. Both Cabinet Decision No. 100/2023 and Ministerial Decision No. 265/2023 were made effective retroactively from 1 June 2023. Most freezone companies have a financial year which ends on 31 December, which also forms their Tax Period for Corporate Tax purposes. When

these two pieces of legislation were issued, most entities had not yet completed their first Tax Period. Therefore, this retroactive effect of this new legislation did not have a significant impact on them, as they still had sufficient time to adjust their tax treatment to take account of legislation changes brought in by these, before filing. Those with a 31 December tax period would have been required to file nine months after the end of their tax period (by 30 September 2025 for those with a FY 2024 ending on 31 December 2024). However, at the end of August 2025, Ministerial Decision No. 229/2025 On Qualifying and Excluded Activities for the Purposes of Federal Decree-Law No. 47/2022 on the Business and Corporate Taxation replaced Ministerial Decision No. 265/2023. It has brought in several QA changes including those on trading in Qualifying Commodities as well as the introduction of the Quoted Price concept; changes on treasury and financing services; and the distribution of goods or materials in or from a Designated Zone. This legal change also has a 1 June 2023 retroactive date. In parallel, a number of other developments were also taking place during this period. One of the conditions of an administrative penalty-waiver initiative launched in May 2025 had led to a number of taxpayers submitting their CT return earlier, i.e. within seven months of the end of their tax period. There had also been an SMS and email campaign encouraging taxpayers to file early and not wait until the statutory deadline of 30 September 2025. Therefore, given the timing of the amendments and their retroactive effect, the impact on taxpayers has been considerably more significant. Following this amendment, FZCos affected by the changes had to reassess their tax positions for the period beginning 1 June 2023. If the

reassessment now differed from previous conclusions, corrections had to be made. For entities that had not yet filed their first corporate return, the correction had no statutory consequence, as their first filing should naturally reflect the latest amendments.

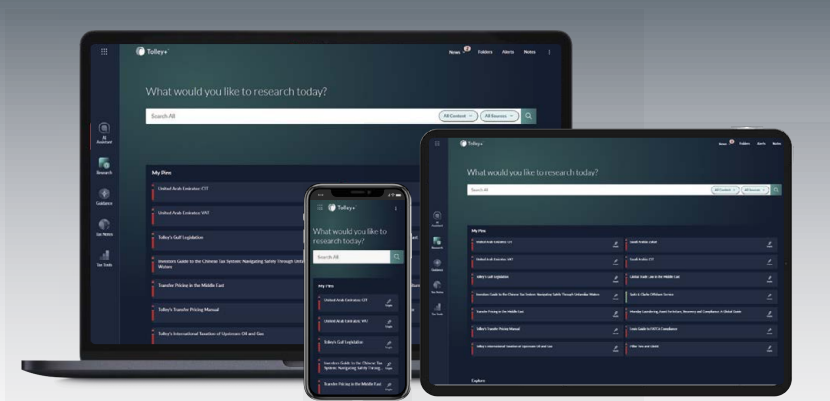
Taxpayers who had filed early, e.g. earlier than 30 September 2025 for a tax period ending 31 December 2024, could simply amend their submitted corporate tax return prior to the ultimate statutory filing deadline. These corrections would not attract penalties. However, where the statutory deadline came before the amendment was issued and the taxpayer filed under the rules in place at that time, or where taxpayers later found errors after the statutory deadline because of the change in the legislation, they have had to submit a Voluntary Disclosure. VD submissions trigger a fixed penalty of AED 500 and a monthly 1% penalty on the tax difference from the due-date of the original filing until the date of VD submission. If the correction results in additional tax payable, taxpayers must also comply with the specific payment due dates for VD cases in order to avoid further late-payment penalties. The legislative framework is continuing to evolve as the authorities refine and clarify aspects of the regime. As some refinements apply retroactively from 1 June 2023, taxpayers should check for updates that may affect previously submitted returns. Even if a return was accurate at the time of filing, later amendments may still need revisions or will create exposure to administrative penalties, highlighting the importance of continuous monitoring and timely compliance checks



Contributor
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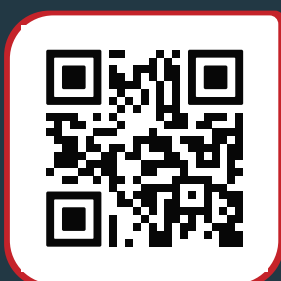
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