ME & GCC TAX NEWSLETTER

AUGUST 2026

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UAE

Pillar Two: New Guidance on Scope, Registration, Excluded entities and Filing

SUMMARY

The FTA has issued Decision No. 12 of 2026 prescribing registration, deregistration and notification timelines for UAE Top-Up Tax under the Pillar Two framework.

Entities subject to Top-Up Tax must register within **7 months from the end of their first in-scope FY**, subject to a transitional deadline.

The Decision applies to FYs starting on or after **1 January 2025**, making entity-level scope assessment and compliance planning an immediate priority.

KEY DEADLINE

30 November 2026 - transitional registration deadline where the Fiscal Year ends before 30 April 2026.

KEY POINTS

- **Scope:** Applies to UAE entities within the scope of the UAE Top-Up Tax framework under Cabinet Decision No. 142 of 2024.
- **Deregistration:** Generally required within **6 months** from cessation or from the end of the FY in which the entity leaves the MNE Group and is no longer in scope.
- **Out-of-scope notifications:** Must generally be submitted within **6 months of the tested FY-end** and remain valid for that FY plus the following four FYs.
- **Domestic Designated Filing Entity (DDFE):** Where appointed, the DDFE can submit registration, deregistration and in-scope/out-of-scope notifications on behalf of applicable UAE group entities

Read the full update

UAE

VAT : Mandatory due diligence requirements for Input Tax recovery

SUMMARY

FTA Decision No. 13 of 2026 introduces mandatory due diligence requirements for UAE businesses before recovering Input VAT.

The requirements move Input VAT recovery beyond invoice-based checks and require businesses to strengthen supplier onboarding and VAT recovery processes.

EFFECTIVE DATE

1 October 2026 - businesses should have their supplier due diligence policies, onboarding processes and VAT recovery controls ready by this date.

KEY POINTS

- **Supplier verification:** Businesses must verify supplier identity, legal details, for supplies exceeding **AED 375,000 annually.**
- **Payment controls:** Electronic payments are required, while cash and third-party/offshore bank payments require appropriate justification and documentation.
- **Frequency:** Supplier verification is required for all new suppliers and must be re-performed annually.
- **Documentation:** Businesses must maintain a formal internal due diligence policy, define responsible personnel and authorization limits, and retain supporting evidence for FTA audit purposes.
- **AED 10,000 exception:** Verification measures may generally be disregarded for supplies below AED 10,000 (excluding VAT), but the exception does not apply where annual supplies from the same supplier exceed or are expected to exceed AED 100,000.

Read the full update

UAE

Pillar Two : Top-Up Tax Registration and Deregistration Timelines

SUMMARY

The FTA issued Decision No. 12 of 2026, prescribing **registration, deregistration, and in-scope/out-of-scope notification timelines** for entities under the UAE Top-Up Tax (Pillar Two).

It doesn't change who is in scope as that's still governed by Cabinet Decision No. 142 of 2024.

Applies to Fiscal Years starting **on or after 1 January 2025**.

KEY DEADLINE

Entities with a Fiscal Year ending before 30 April 2026 must submit their Top-Up Tax registration application by 30 November 2026

KEY POINTS

- **Standard registration**: within 7 months from the end of the first Fiscal Year an Entity is in scope.
- **Deregistration**: within 6 months from the earlier of cessation of existence or exit from the MNE Group (subject to full settlement of tax/penalties and pending returns)
- **Out-of-scope notification** (6 months) remains valid for that FY + 4 more years; if the entity re-enters scope, an in-scope notification is due within 7 months
- **After 5 consecutive out-of-scope years**, deregistration must be applied for within 6 months of the fifth year-end
- Where appointed, a Domestic Designated Filing Entity (DDFE) files on behalf of Domestic Main Group, Minority-owned Subgroup, Reverse Hybrid Entity, and Domestic JV Group members
- Businesses should now map entities, confirm first in-scope FY, appoint/confirm DDFE and EmaraTax access, and build a compliance calendar

Read the full update

UAE

Other updates

SMALL BUSINESS RELIEF EXTENDED

- Ministerial Decision No. 131 of 2026 amends Ministerial Decision No. 73 of 2023 on Small Business Relief (under the UAE Corporate Tax Law, Federal Decree-Law No. 47 of 2022).
- Article One **extends the Small Business Relief revenue threshold (AED 3 million, per Decision 73/2023) to apply to Tax Periods ending on or before 31 December 2029,** previously the relief was set to lapse after Tax Periods ending 31 December 2026.

Read the full update:

ACCOUNTING RECORDS AND COMMERCIAL BOOKS

- FTA Decision No. 4 of 2026 sets **mandatory rules for maintaining accounting records/commercial books**, requiring records to be **complete, identical to originals, and legible, with FTA access** to systems/records on request.
- Electronic copies/photocopies must capture **all pages in original order**
- Taxpayers must provide **encryption keys/passwords** to the FTA when records are protected, and ensure access to physical storage locations.
- Third-party record-keeping is permitted, but **legal responsibility stays with the taxpayer**.

Read the full update

DISPOSAL OF SEIZED AND ABANDONED GOODS

- FTA Decision No. 7 of 2026 sets out **procedures for the storage, sale, and disposal of seized/abandoned goods** that are perishable, subject to shortage/leakage, or pose a safety risk.
- Seized goods must be **stored and moved under conditions that preserve their quality and safety**
- This includes **selecting an approved storage location**, using **designated government transport** and maintaining stocktaking/access records before, during and after movement.
- Sale via **Public Auction** is only permitted following a Committee decision, once conditions are met.

KSA

ZATCA issues Economic Substance Requirements for SEZs

SUMMARY

ZATCA published Board Decision No. 03-02-26 on 7 August 2026, approving Economic Substance Requirements regulations for entities in SEZs.

The Regulations implement Royal Decree/Council of Ministers Resolution No. 233, imposing compulsory operational substance criteria to retain tax and customs exemptions.

KEY DEADLINE

Effective immediately

KEY POINTS

- Applies to all Licensed Entities carrying out Qualified Activities in KAEC, Ras Al-Khair, Jazan, and Cloud Computing SEZs
- **Core substance pillars** (Article 4): adequate physical premises, local full-time workforce, proportionate local operational expenditure, and local governance (at least one KSA-resident managing director, board quorum met in KSA)
- **IP activities face enhanced standards** (Article 4(B)/5): ≥50% KSA-resident directors, a commercial rationale plan, detailed personnel disclosures, and in-zone strategic decision-making
- Income from **marketing intangibles is excluded** from tax/customs exemptions entirely
- Entities **must file an Annual Economic Substance Return** (Article 6); non-compliance triggers penalties enforced by ECZA
- **Recommended actions**: substance gap assessment, governance structure review, evaluation of IP-holding entities, and building data collection frameworks

Read the full update

KSA

Detailed Procedural Guide for Tax & Customs Operations in SEZs

SUMMARY

ZATCA released the First Edition of its Detailed Procedural Guide for Tax and Customs Operations in SEZs in August 2026, based on Cabinet Decision No. (468).

It consolidates the tax incentives, customs suspension regime, WHT exemptions, and administrative procedures for the four SEZs.

The Cloud Computing SEZ is treated differently, following standard CIT/WHT rates with OECD-aligned international tax treatment instead of zone-specific incentives.

KEY DEADLINE

Recurring compliance calendar: Annual CIT Return and Annual WHT Return each due within 120 days of fiscal year-end

VAT returns due monthly/quarterly (last day of following month); inventory reconciliation reports due monthly.

KEY POINTS

- Geographically-defined SEZs get a **5% CIT rate for 20 years** on qualifying income (vs 20% standard mainland rate on non-qualifying income), plus **full WHT exemption** on cross-border payments (vs 5%/15%/20% mainland rates)
- VAT: **supplies within/between SEZs are zero-rated** (subject to customs suspension conditions); SEZ-to-mainland movements attract **15% import VAT plus customs duty**
- Customs duties and import VAT are suspended indefinitely (not time-limited) for qualifying activities, with mainland to zone movements treated as exports and zone to mainland as imports
- Licensed entities must maintain an **auditable electronic inventory system, linked to ZATCA**, with monthly reconciliation
- **Cloud Computing & IT SEZ (not geographically bound) applies standard 20% CIT/WHT**, but software payments are treated as Business Profits (not Royalties), and mere data storage/processing doesn't create a PE
- ZATCA flagged that **SEZ tax incentives will be reviewed** once KSA implements Pillar Two (Global Minimum Tax) for in-scope MNE groups

Read the full update:

QATAR

Pillar Two : Registration and compliance requirements

SUMMARY

Qatar's General Tax Authority issued a Framework Guide on 7 August 2026, detailing registration, annual renewal, filing, deregistration, and enforcement under Qatar's Pillar Two regime (Law No. 22 of 2024 and Council of Ministers Resolution No. 2 of 2026).

Registration through the Dhareeba platform is mandatory for in-scope MNE and JV Groups, even where no Top-up Tax is expected. The regime applies to Fiscal Years commencing on or after 1 January 2025.

FY 2025 REGISTRATION

FY 2025 initial Pillar Two registration: due within 3 months of the GTA confirming the Dhareeba electronic platform is operational (date not yet fixed as of this alert)

Recurring DMTT/IIR/GIR filings due 15 months after each Fiscal Year-end.

KEY POINTS

- A **Designated Local Entity (DLE)** must be appointed per Group to handle registration, filings, and GTA communications; JV Groups register separately with their own DLE and Pillar Two TIN
- **Annual renewal is mandatory within 6 months** of each Fiscal Year-end, even with no Top-up Tax liability or structural change
- **DMTT and IIR returns, plus Top-Up Tax payment, are due 15 months** after Fiscal Year-end (18 months for the Transition Year)
- **Deregistration is not automatic. It** requires a formal Dhareeba request with supporting evidence, and is blocked if there are outstanding filings, unpaid tax, or an active audit.
- **Penalties apply for non-compliance** (e.g., QAR 20,000 for failure to register or GIR notification, QAR 30,000 for failure to maintain records, QAR 500/day late DMTT/IIR filing capped at QAR 180,000); transitional penalty relief may apply for FYs beginning on or before 31 December 2027

Read the full update:

QATAR

Electronic penalty reduction Guide

SUMMARY

The General Tax Authority of Qatar has introduced a streamlined, fully online process for electronic penalty reduction via the Dhareeba Platform.

SUBMISSION CHANNEL

Dhareeba only - manual requests are not accepted.

KEY POINTS

The GTA's 4-Step Process

- **Portal Access**: Corporate credential login on the official Dhareeba site.
- **Select Service:** Identifying the 'Financial Penalty Reduction Request.
- **Submit Details:** Providing critical justifications and required documentation.
- **GTA Review:** Fast-track electronic review based on approved conditions.

Read the full update:

BAHRAIN

DMTT : Return Filing Guide

SUMMARY

Bahrain's NBR has issued the DMTT Return Filing Manual (Version 1.0), offering detailed guidance on filing procedures under Bahrain's Domestic Minimum Top-up Tax regime (Decree-Law No. 11 of 2024), which implements the OECD Pillar Two framework to ensure in-scope MNE Groups pay a minimum **effective tax rate of 15%..**

KEY DEADLINE

DMTT applies to in-scope MNE Groups with fiscal years beginning on or after 1 January 2025

KEY POINTS

- Every Filing Constituent Entity (FCE) must submit a **Revenue Test Notification** each year to check if the €750m revenue threshold is met in 2 of the preceding 4 fiscal years.
- If out of scope, no DMTT Return is required, and advance payments can be carried forward, refunded, or offset against future liabilities.
- In-scope groups must file a **DMTT Tax Return** with three parts: Central Filing Notification, Information Schedule, and Tax Computation Schedule.
- **Central Filing** lets an FCE rely on a GIR filed in another jurisdiction (with a Qualifying Competent Authority Agreement) instead of filing the Information Schedule locally — reinstated in Bahrain if the GIR isn't received within 3 months of the filing deadline.
- The **Information Schedule** must be filed in XML per the OECD GIR Schema; manual input via the portal is allowed if technical issues arise.
- The **Tax Computation Schedule** calculates final DMTT liability after considering sub-group amounts, exclusions, advance payments, and carried-forward credits.
- The Manual includes worked examples, including a de minimis exclusion case reducing top-up tax to zero — MNE Groups should assess FCE arrangements, GIR/XML readiness, and reconcile records ahead of filing.

Read the full update:

BAHRAIN

VAT : Updates to the VAT General Guide Version 1.15

SUMMARY

On 29 July 2026, Bahrain's National Bureau for Revenue (NBR) published version 1.15 of the VAT General Guide, limited to two sections: invoicing requirements and the capital assets scheme.

The update doesn't change Bahrain's VAT framework, only clarifies existing provisions. Taxpayers should review VAT invoicing and capital expenditure accounting to align with the clarified guidance.

No new deadline — effective date is 29 July 2026

KEY DEADLINE

KEY POINTS

- Section 10.3: **VAT invoice descriptions must be detailed enough to clearly identify the goods/services** and support the correct VAT treatment
- **New-building construction supplies must include the building permit number** on the VAT invoice
- Section 11.8.4: **Clarifies examples of tangible assets** (buildings, equipment, machinery, vehicles, servers) and intangible assets (software licenses, long-term subscriptions)
- **Capital expenditure is defined** (acquisition/ construction/ enhancement of capital assets), with examples including land acquisition, building works, infrastructure projects, and long-term computer equipment
- **Additional costs directly attributable to acquiring, constructing, or improving a capital asset are treated as separate capital assets**, each with its own useful life
- **Input VAT on capital expenditure** is recoverable only to the extent the asset is used for VATable supplies; changes in use require adjustment under Article 60 of the VAT Executive Regulations

Read the full update:

EGYPT

2026 Tax Law amendments

SUMMARY

On 28 July 2026, Egypt's Official Gazette published **Laws No. 148 to 154 of 2026, a comprehensive package of tax reforms spanning income tax, VAT, stamp duty, tax procedures, and state-owned company profits.**

The reforms aim to modernize the tax system, attract FDI, and ease compliance.

Key changes include capital gains/dividend relief, an EGX IPO incentive, VAT suspension on industrial/medical machinery, and an extended dispute resolution window.

KEY DEADLINE

Tax Dispute Settlement framework extended through 31 December 2026; other provisions are effective from the 28 July 2026 gazette publication

KEY POINTS

- **Income Tax (Law 151)**: simplified bad debt write-offs (up to EGP 10,000/debt, capped at 1% of receivables); 2.5% flat real estate disposal tax; EGX-listed capital gains exempted (unless delisting occurs); dividends taxed at 10% (5% if EGX-listed); thin-cap safe harbor stays 2:1 (expands to 4:1 for qualifying national infrastructure financing)
- **Small Business Settlement Scheme**: non-final tax settlement for entities with turnover below EGP 10 million (FY 2022 to March 2025), via percentage rates (0.5–1%) or flat annual fees (EGP 1,000–5,000)
- **VAT (Law 149)**: temporary suspension of VAT on qualifying industrial machinery/medical devices; VAT on production machinery/equipment reduced to 5%; natural gas now taxable at EGP 20/thousand cubic feet
- **Tax Dispute Settlement (Law 152) extended through 31 December 2026**; Stamp Duty on EGX securities (Law 153) at 0.5 per mille (reduced for same-day trades, exempt for market makers)

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OMAN

E-invoicing : Amendments to VAT Executive Regulations

SUMMARY

The Oman Tax Authority issued Decision No. 189/2026 amending Executive Regulations of VAT Law.

The amendments establish the legal framework and phased timetable for mandatory e-invoicing, with requirements covering format, timing, service providers, security and continuity.

1 April 2027 for annual supplies above OMR 5 million;
1 October 2027 for annual supplies of OMR 5 million or below.

EFFECTIVE DATES

KEY POINTS

- Tax invoices must be **issued electronically** in an approved secure format that preserves authenticity, integrity and readability
- Invoices, including simplified invoices, must be issued **within 15 days of the relevant triggering event.**
- The Tax Authority will announce **licensed providers** of approved electronic tax invoicing services.
- Systems must include **security, business-continuity and data-recovery controls.**
- A limited **application based exemption** may be granted by the Chairman of the Tax Authority, subject to prescribed conditions.

Read the full update:

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