ME & GCC TAX NEWSLETTER

OCTOBER 2026

UAE | Oman | KSA



UAE

FTA Clarification on free zones & Designated zones

SUMMARY

On **October 2, 2026**, the Federal Tax Authority (FTA) issued Public Clarification TAXP010 to clarify that **Free Zones** and **Designated Zones** have distinct legal and operational treatments across UAE tax regimes. Pertinently, Status under one tax regime does not guarantee Designated Zone status under another tax regime.

EFFECTIVE DATE

Retrospective i.e. as on the date of implementation of the relevant CT, Excise or VAT legislation

KEY POINTS

- **Corporate Tax (CT):**
  Concessions depend on qualifying as a Qualifying Free Zone Person (QFZP) with adequate substance and qualifying income.
  Disqualification: Failing statutory conditions results in losing QFZP status for **5 years** and taxation at the standard **9% rate**.
- **Value Added Tax (VAT):**
  Only Free Zones explicitly listed as Designated Zones and meeting strict security/fencing controls are treated as outside the UAE.
  Services supplied within or from a Designated Zone are always subject to standard UAE VAT rules.
- **Excise Tax:**
  Free zone businesses must verify if their zone is an approved Excise Designated Zone with required security measures and an appointed warehouse keeper.

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UAE

Portal for submission of R&D claims

SUMMARY

An important step to claim the UAE Research and Development (R&D) Tax Credit is to obtain pre-approval from the Emirates Research and Development Council. The portal to submit the claims for such pre-approval is has been made live on **21st October 2026**. (**https://tawwer.gov.ae/**)

Read our previously published tax alert and tax guide on the UAE R&D Tax Credit Regime

Read the Tax Alert

Read the Tax Guide



UAE

UAE VAT - New Administrative Penalty Framework for UAE e-invoicing

SUMMARY

On 30 October 2026, the UAE Ministry of Finance announced **Cabinet Decision No. 173 of 2026** — a new administrative-penalties framework for the e-invoicing system that **repeals Cabinet Decision No. 106 of 2025** entirely.

KEY POINTS

Failure to Implement / Appoint an Accredited Service Provider (ASP)

- **Penalty:** AED 5,000 for the first instance, plus AED 5,000 for each month or part of a month that the violation continues.
- **Cap:** Capped at a maximum of **AED 50,000** in any 12 consecutive months.

Failure to Issue and Transmit an E-Invoice or E-Credit Note:

- **Penalty:** AED 100 per document.
- **Cap:** Capped at **AED 5,000 per calendar month** for each category.

Late Notification of Changes to Registered Data to an ASP:

- **Penalty:** AED 250 per day of delay.
- **Cap:** Capped at **AED 5,000 per calendar month**.

System-Failure Reporting Penalty:

- **Removed:** The previous AED 1,000 per day penalty for failing to report system failures to the Federal Tax Authority (FTA) has been eliminated

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UAE

UAE VAT - Amendment to UAE e-invoicing regulations from operational perspective

SUMMARY

Ministerial Decision No. 197 of 2026, issued by the UAE Ministry of Finance and in force since **October 1, 2026**, amends the UAE Electronic Invoicing System (originally set out in Ministerial Decision No. 243 of 2025) to ease operational requirements for businesses.

KEY CHANGES

- **Intra-Tax Group Exclusion:** VAT Tax Group transactions are exempt from e-invoicing for 24 months, from January 1, 2027, to December 31, 2028.
- **Local Data Storage:** The physical UAE data storage mandate is lifted; records must simply comply with the Tax Procedures Law and FTA requests
- **System Failure Notice:** Article 12 is repealed, removing the two-day FTA notification rule for technical system failures.
- **Issuance Timeline:** The deadline to issue and transmit e-invoices is adjusted to **14 business days**.

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UAE

UAE VAT - UAE e-invoicing Guidelines Version 2.0

SUMMARY

The UAE Electronic Invoicing Guidelines Version 2.0 (26 October 2026. It moves the ASP appointment date and adds new clarifications.

KEY POINTS

- ASP appointment deadline for Persons with revenue of AED 50 million or more moves from 31 July 2026 to 30 October 2026
- Records must be retained for 5 years while records relating to real estate activities must be retained for 7 years. Such records must be producible to the FTA on request
- New sections on healthcare and insurance claims- An insurer settling a patient's medical expenses is not, by itself, a B2B Business Transaction. The insurer is the buyer only if it receives its own in-scope supply.
- Newly established Person - In-scope Persons must appoint an ASP and complete onboarding before issuing their first invoice, whatever their date of establishment.

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UAE

UAE VAT - FTA Clarification on Input Tax Recovery on goods & services to employees for free of charge

SUMMARY

The FTA published **Decision No. 17 of 2026**, which takes effect on **1 October 2026**. This decision provides long-awaited clarity regarding the specific cases and strict conditions under which a Taxable Person can recover input VAT incurred on goods and services provided to employees free of charge (under Article 53(1)(c)(2) of the VAT Executive Regulations).

Historically, input tax on employee perks or personal expenses was strictly non-recoverable unless provided under a statutory legal obligation.

Decision No. 17 of 2026 formalizes (6) specific operational scenarios where Input VAT **can now be recovered**, provided that **all prescribed conditions are met and supported by documented policies**.

Taxable persons may recover or deduct Input Tax incurred on goods or services provided to employees free of charge under a contractual obligation or documented policy, subject to satisfying all specific conditions across the (6) designated cases below

KEY POINTS

- Employee Transportation Expenses
- Food & Beverage Expenses
- Ordinary Accommodation / Place of Residence
- Temporary Accommodation for New Employees
- Cell phones, Airtime, Data, and Home Internet (Modem/Router)
- Employee Parking Fees

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International development affecting GCC Groups

SUMMARY

OECD releases revised Globe Information Return XML schema
On 20 October, the OECD published version 2.0 of the Globe Information Return XML schema and its accompanying User Guide. The revision incorporates changes arising from the 2026 updates to the GIR and technical improvements connected with the Inclusive Framework's Side-by-Side Package.

Version 1.0 will continue to apply to exchanges until 15 June 2028. Version 2.0 will apply from 25 June 2028 to all exchanges, including corrections and amendments to previously exchanged returns. The schema may also be adopted for domestic filing where local law permits.

Although the mandatory exchange date is not immediate, GCC-headquartered groups and groups with UAE, Bahrain, Qatar or Kuwait Pillar Two exposure should incorporate the revised data structure into systems design now. Retrofitting entity identifiers, elections, ownership data and jurisdictional calculations shortly before filing is likely to be considerably more difficult.

Link to the OECD website



OMAN

Oman VAT - Expands Zero-Rated VAT Lists to 1,546 Food, Medical and Veterinary Products

SUMMARY

The Oman Tax Authority (OTA) has issued three new decisions—Decisions No. 223/2026, 224/2026 and 225/2026—expanding and updating the categories of goods subject to Value Added Tax (VAT) at the zero rate (0%).
The new decisions will take effect from 1 October 2026 and form part of Oman's efforts to strengthen social protection, reduce the cost burden on consumers, and support key sectors including food security, healthcare, agriculture and livestock.

EFFECTIVE DATE

1 October 2026

KEY POINTS

- **Decision No. 225/2026 : Food Commodities –** The most significant change is introduced through Tax Authority Decision No. 225/2026, which expands and updates the list of food commodities subject to the 0% VAT rate to 807 tariff entries. The decision covers a broad range of essential food commodities, including livestock, fresh, chilled, frozen ground meat, fish and seafood etc. Decision No. 225/2026 repeals Decision No. 65/2021, together with any provisions that conflict with the new decision. Accordingly, businesses should not continue relying on the previous zero-rated food list for transactions taking place from 1 October 2026 onwards.

- **Decision No. 224/2026 - Human Medicines and Medical Equipment –** Decision No. 224/2026 provides an updated list of medicines and medical equipment subject to the 0% VAT rate. Decision No. 224/2026 repeals and replaces Decision No. 59/2021 governing zero-rated medicines and medical equipment.

- **Decision No. 223/2026 - Veterinary Medicines and Medical Equipment –** A separate Decision No. 223/2026 introduces a specified list of veterinary medicines and medical equipment subject to the 0% VAT rate.

Businesses should map their products against the specific Unified Customs Tariff codes included in the relevant decision.

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KSA - VAT Refund for Real Estate Disposals by Individuals

SUMMARY

Saudi Arabia: VAT Refund Claims Open for Individuals on Pre-RETT Real Estate Sales.

- **Scope of Claims:** The General Secretariat of Zakat, Tax and Customs Committees (GSTC) has opened refund claims for VAT paid by individuals on real estate sales conducted between 1 January 2018 and 4 October 2020 (prior to the introduction of the Real Estate Transaction Tax).
- **Eligibility Criteria:** Claimants must be natural persons who paid the VAT, did not engage in real estate sales as a regular commercial activity exceeding the registration threshold, and did not claim input VAT deductions on the property.
- **Filing Deadline & Platform:** Applications (including related penalties) must be submitted through the **Hayed portal** within a strict **30-day window** following the publication of procedures in the Official Gazette on **13 October 2026**.

Action Required: Given the compressed timeframe, eligible individuals are advised to immediately compile relevant sale contracts, payment proofs, and VAT payment records.

Read the full update



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