BDO GCC Tax Update

Q2 June 2026

Contents (clickable)

Introduction

BDO publishes a Gulf Cooperation Council (GCC) tax update on a quarterly basis and we're delighted to share the Q2 2026 edition with you. This update provides a summary of the tax news from around the region and some of the highlights are set out below.

Qatar has become the latest GCC country to announce the introduction of e-invoicing. Full details of the system have not been released as yet and we will bring you updates in future editions. Qatar has also announced an extension to the income tax filing deadline.

There has been some significant progress on the domestic minimum top-up tax in Kuwait, with the introduction of an advance payment option and the news that the OECD has given recognition to the Kuwait DMTT regime as a "qualified" DMTT. There is also news in Kuwait regarding the rules for tax retentions on government projects.

Oman has also confirmed that it has obtained transitional qualified status from the OECD for its domestic minimum top-up tax and QDMTT Safe Harbour. This is effective from 1 May 2026.

Bahrain has issued some new tax guides for transfer pricing under the new domestic minimum top up tax regime and for VAT agents and representatives.

In Saudi Arabia there has been a further extension to the so-called tax amnesty, to 31 December 2026. This initiative evolved from a temporary Covid-19 relief measure, which was subsequently formalised and has been repeatedly extended. This is a very helpful relief but further extensions cannot be guaranteed and it is important that taxpayers ensure processes and controls are robust and efficient so that the risk of errors and potential penalties is minimised.

As usual, a lot has been happening in the UAE. The changes include new guidance for family foundations, updates to the e-invoicing rules, the launch of a registration portal for pillar two top up tax and public clarifications for transfer pricing.

We hope you find this summary of the tax news for the region useful. If you would like further information on any of the topics covered, please get in touch with your usual BDO adviser: contact details for all our GCC offices can be found on the back page of this publication. You will also find additional information on the relevant BDO firm's web site.

Bahrain

DOMESTIC MINIMUM TOP-UP TAX

DMTT Transfer Pricing Guide

The National Bureau for Revenue (NBR) has published its much-anticipated Transfer Pricing Guide for the Domestic Minimum Top-up Tax (DMTT) regime, providing practical guidance on the application of the Arm's Length Principle, transfer pricing methodologies and documentation requirements, including Local File and Master File obligations.

The Guide is broadly aligned with the OECD Transfer Pricing Guidelines and offers welcome clarity on the treatment of related-party transactions and transfer pricing adjustments within Bahrain's Pillar Two framework.

Bahrain

VALUE ADDED TAX

VAT Agent/VAT Representative Guide

The NBR has issued Version 2.0 of the guide to make changes that reflect a transition from a VAT-only regime to a broader tax framework. The 2026 updated guide aims to expand the scope of this guide to include Bahrain's DMTT. Further, it introduces stricter regulatory requirements, including mandatory NBR approval for appointments, power of attorney documentation and tax-specific agent appointments. The application process and NBR portal have also been enhanced with improved documentation requirements, workflow controls and status tracking.

Kuwait

DOMESTIC MINIMUM TOP-UP TAX

Optional Advance Tax Payment Program

The Kuwait Ministry of Finance (MOF) issued Circular No. 1 of 2026 (the Circular) on 29 April 2026 introducing an optional Advance Tax Payment Program for entities within the scope of the Kuwait Domestic Minimum Top-Up Tax (DMTT), Law No. 157 of 2024. The initiative is intended to facilitate early tax collection while providing certain administrative benefits to participating taxpayers.

Key Highlights of the Circular

- The Program allows eligible DMTT taxpayers to submit a provisional DMTT statement and make an advance payment of their estimated DMTT liability.
- Participation is entirely voluntary and does not impose any penalties on taxpayers choosing not to participate.
- The Program applies only to tax periods ending on or before 31 March 2026.
- Participation does not replace the requirement to file the final DMTT return and pay any remaining tax liability within the statutory deadlines.

Administrative Incentives

The Circular provides participating taxpayers with the following administrative benefits:

- Priority for processing tax inspections and assessments, refunds, objections and appeals for the relevant tax period. This applies only to the tax period for which the advance tax payment is made.
- Priority issuance and renewal of DMTT tax cards.

Compliance Requirements

Entities interested in participating in the Program must comply with the following:

- Application to participate must be submitted to the tax department by 31 May 2026.
- A provisional DMTT statement must be filed by 30 June 2026.
- The estimated DMTT liability must be paid in a single instalment by 30 June 2026. The amount paid will be treated as an advance payment against the final DMTT liability.

Kuwait achieves Qualified DMTT and QDMTT Safe Harbour Status

On 1 May 2026, the OECD recognized the Kuwait DMTT regime as a “qualified” DMTT. This is a welcome development as it will provide significant benefits for MNE Groups with Kuwait operations. The recognition is however, transitional and a detailed peer-review process is expected be carried out by the OECD before attaining permanent qualified status.

A QDMTT is generally taken into account under the Globe rules, reducing the potential for the same profits to be subject to additional top-up taxes in other jurisdictions under the Income Inclusion Rule (IIR) or Undertaxed Profits Rule (UTPR).

Kuwait also achieved a QDMTT Safe Harbour status. A QDMTT Safe Harbour status will generally allow the MNE Group to undertake one computation under the QDMTT and automatically reduce the Top-up Tax to zero in a jurisdiction applying the IIR or UTPR, thereby reducing the administrative burden of a further calculation under those rules.

Kuwait

TAX RETENTIONS FOR GOVERNMENT CONTRACTS

The Ministry of Finance released executive rules (the rules) for implementing the State's budget for financial year 2026-2027. As a background, the rules provide a set of instructions required to be followed by government entities to implement the State's budget. A number of tax related instructions were included in the rules which are summarized below.

Most notably, the rules provide an exemption from the longstanding 5% tax retention requirement on amounts payable by government entities to multinational entities (MNE) that are registered under the DMTT Law No. 157 of 2024. Further guidance is expected to be issued by the MOF to address the applicability of tax retentions to DMTT registered entities more broadly.

Retention requirements under the CIT framework reaffirmed

The rules reiterate the obligation on ministries, authorities and public bodies to withhold 5% of contract value or of each payment made under contracts, agreements, or other arrangements, in accordance with the existing Executive Regulations of the Income Tax Decree of 1955, as amended (CIT Law).

Amounts withheld may only be released upon submission of a valid tax clearance certificate issued by the MOF. Non-compliance can result in the government entity being held liable for the counterparty's tax liabilities pursuant to Article 39 of the Executive Regulations of the CIT Law.

Exemption of tax retentions for DMTT registered entities

As an exception to the above requirements, payments made by government entities to entities subject to the DMTT Law are now exempt from the 5% retention requirement, provided that the relevant entity submits a valid tax card evidencing its registration and taxability under the DMTT regime.

This represents a significant shift from the existing tax retention mechanism and effectively removes a key administrative and cash flow burden for in-scope MNEs transacting with the government entities.

Treatment of long-outstanding retentions

Tax retentions that remain unclaimed for a period exceeding five years are now required to be transferred to the MOF. Previously there was no time limit beyond which the amount withheld had to be transferred to MOF.

Prohibition on tax gross-up clauses

The rules prohibit the inclusion of contractual provisions under which a government entity assumes or bears the income tax liability of the contractors or provides an exemption from tax.

Kuwait

FATCA AND CRS REPORTING DEADLINES

On 17 May 2026, the Ministry of Finance issued a notification confirming an extension of the Common Reporting Standard (CRS) and FATCA reporting deadlines for the 2024 and 2025 years. The revised reporting deadline is now 31 August 2026.

Kuwait

KUWAIT RATIFIES BEPS-MLI

On 7 June 2026, Kuwait domestically ratified the OECD's Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS), commonly known as the Multilateral Instrument (BEPS-MLI). The ratification was published in the Official Gazette by way of Decree-Law No. 62 of 2026, marking a significant step in Kuwait's alignment with the OECD/G20 BEPS framework.

The BEPS-MLI is a landmark international tax agreement developed under the OECD/G20 BEPS initiative, designed to update existing bilateral tax treaties to incorporate anti-avoidance and dispute resolution measures without the need to individually renegotiate each treaty. The BEPS-MLI seeks to combat opportunities for businesses to use treaties to eliminate all tax liability or to reduce tax rates to aggressively low levels.

Entities relying on treaty benefits for their Kuwait business / investments may wish to conduct an impact assessment of the implications of the BEPS-MLI.

Oman

DOMESTIC MINIMUM TOP UP TAX

Transitional Qualified Safe Harbour Status granted by the OECD

In a positive step for Oman's Pillar Two implementation, the OECD has included Oman in its updated Central Record of jurisdictions that have obtained transitional qualified status for their Domestic Minimum Top-Up Tax (DMTT) and QDMTT Safe Harbour, effective 1 May 2026.

This recognition confirms that Oman's DMTT is broadly aligned with the OECD's Global Anti-Base Erosion (GloBE) Rules, following completion of the OECD's transitional qualification process.

Why does this matter?

- Greater certainty for taxpayers: Oman's minimum tax rules are now recognised as being consistent with the OECD Pillar Two framework.
- Protection of Oman's taxing rights: Oman can collect domestic top-up taxes on low-taxed profits of entities located in Oman, rather than leaving such taxes to be collected by other jurisdictions under the IIR or UTPR.
- Potential compliance relief: Eligible multinational groups may benefit from the QDMTT Safe Harbour, reducing Pillar Two compliance and reporting requirements for their Omani operations.

Overall, the OECD's recognition strengthens confidence in Oman's Pillar Two regime and reinforces its position within the evolving international tax landscape.

Qatar

INCOME TAX

Filing deadline extension announced

The General Tax Authority (GTA) in Qatar has confirmed an extension to the deadline for submitting tax returns for taxpayers whose financial year ended on 31 December 2025. The filing deadline has been moved from 30 April 2026 to 30 June 2026.

This extension is applicable to all taxpayers governed by Income Tax Law No. (24) of 2018, including home-based businesses, public interest organisations, charitable entities, associations and private institutions. It also covers both tax-exempt entities and companies owned by Qatari or GCC nationals.

Entities involved in petroleum operations and the petrochemical sector are not included in this extension and must still submit their tax returns by 30 April 2026.

Our comment

The GTA's decision to postpone the filing deadline is viewed as a positive step, giving taxpayers additional time to manage complex compliance requirements. It provides businesses with an opportunity to review their tax positions more carefully and improve the accuracy of their reporting.

Nonetheless, taxpayers are encouraged to begin preparations without delay to avoid last-minute pressures and ensure full compliance with the Income Tax Law.

Qatar

E-INVOICING

Qatar has made a significant move towards implementing an e-invoicing framework. In its meeting on 6 May 2026, the Cabinet approved a draft e-invoicing law together with its implementing regulations, which were developed by the Ministry of Finance in collaboration with the General Tax Authority (GTA).

Overview and expected direction

The draft legislation is intended to create a legal foundation for the issuance of electronic invoices, as well as electronic credit and debit notes. Although detailed requirements have not yet been published, the initiative is broadly aimed at:

- Advancing digital transformation within tax and finance processes
- Improving transparency and oversight of commercial transactions
- Enhancing tax compliance and reporting effectiveness
- Supporting the development of centralised, reliable data systems for audit and regulatory purposes

What to expect

At present, no technical specifications or operational framework have been released, including the e-invoicing model that will be adopted.

Based on international practices and approaches seen in comparable jurisdictions, potential developments may include:

- The use of standardised electronic formats for invoice generation
- Increased reporting or data-sharing obligations with tax authorities
- A possible shift towards a more controlled model, where invoices may need to be submitted to or validated by the tax authority around the time of issuance (e.g., clearance or near real-time reporting systems)
- Coverage potentially extending to B2B, B2C and B2G transactions, subject to final confirmation
- A phased implementation approach to allow businesses time to adapt

These points remain indicative and will ultimately depend on the final law and technical guidance. Further updates will be provided as more information becomes available, along with related briefings, webinars and workshops.

What should businesses do now?

Although the framework is still under development, companies in Qatar should begin assessing potential impacts, including:

- Reviewing current invoicing processes and systems
- Evaluating data readiness and system capabilities
- Preparing for anticipated changes in compliance and reporting requirements

For further advice on how these developments may affect your organisation or to discuss compliance considerations, please contact the BDO Qatar Tax team.

Saudi Arabia

WAIVER OF PENALTIES

Extension for an additional six months

The Zakat, Tax and Customs Authority (ZATCA) announced on 30th of June 2026, an extension of the "Cancellation of Fines and Exemption of Penalties initiative". The additional period will be six months, beginning on 1 July 2026, ending on 31 December 2026.

The fines covered under the amnesty are those related to:

- Value Added Tax (VAT),
- Withholding tax,
- Excise,
- Income tax,
- Real Estate Transaction Tax (RETT).

Customs duties are not covered by the amnesty

ZATCA has clarified that the fines covered by the exemption decision include:

- Late registration for all taxes
- Delays in payment
- Late submission of return for all taxes
- Revision of the VAT return
- Fines for violations of VAT field control related to applying the e-invoicing regulations and other general regulations,
- Paying the principal amount of tax assessed while contesting the amount in appeals.
- Any issue related to returns before payable before 1 July 2026.

To be eligible for the initiative, a taxpayer must be:

- Registered under the tax system and;
- Submit all previously unsubmitted returns to the Authority.
- Pay all the principal tax debts associated with the returns to accurately disclose the outstanding tax liabilities;

Taxpayers can submit an official request for an instalment plan, without making themselves ineligible for the initiative provided:

- They obtain ZATCA's approval within the amnesty period.
- Instalments are paid within the amnesty period according to the instalment plan approved by ZATCA.

It is important to note that the initiative excludes penalties related to tax evasion violations, fines paid before the initiative's effective date and fines associated with returns payable after 30 June 2026.

The Authority has urged all taxpayers to take benefit from the initiative during the allotted time, which ends at the end of December 2026.

All amounts payable after the end of this Initiative, which are paid in accordance with an instalment plan approved by ZATCA, will be exempt from late payment fines, provided the instalment plan is adhered to and is not cancelled by ZATCA due to non-compliance.

Our comment

We recommend that prompt action is taken to benefit from the various waivers available under the amnesty. Although the initiative has been extended several times there is no guarantee that there will be further extensions and taxpayers should make necessary efforts to ensure that the risk of errors and therefore the risk of future penalties is kept to a minimum. This should include ensuring that compliance processes and controls are robust and efficient.

United Arab Emirates

CORPORATE TAX (1/2)

Family Foundations Guide

A Foundation is a separate legal entity used to hold and manage assets in line with the founder's objectives, with no shareholders and governed by its charter and by-laws. A juridical Family Foundation may elect to be treated as fiscally transparent, subject to conditions.

The FTA has issued an updated version of the Family Foundations guide (CTGFF1). Compared to the May 2025 guide, this guide provides clearer direction on Limited Liability Company (LLC), multi-tier holding structures, jointly owned SPVs, asset transfers, entry into and exit from fiscal transparency and family office arrangements. While the updated guidance does not constitute a fundamental shift in approach, it provides important clarification on several areas of ambiguity. The key takeaways are as follows:

- LLCs are not "similar entities" - but may still sit within a transparent structure. An LLC is not considered a "similar entity" to a foundation or trust and therefore cannot independently elect fiscally transparent Family Foundation status. However, it may qualify for such treatment where it is wholly owned by a qualifying Family Foundation and satisfies the applicable conditions.
- Multi-tier structures require an entity-by-entity chain test. The updated guidance clarifies that SPVs, subsidiaries and holding companies within a multi-tier structure must be evaluated independently. It further emphasises that indirect ownership and control should be maintained through an uninterrupted chain of entities that are each fiscally transparent under the UAE Corporate Tax Law.
- Jointly owned SPVs now have a clearer route. The May 2025 guide indicated that an SPV jointly owned by two Family Foundations was not eligible because it was not wholly owned and controlled by one Family Foundation. The June 2026 guide now clarifies that a juridical person can be "wholly owned" by more than one Family Foundation.
- Transfers into a Family Foundation need pre-implementation tax review. The updated guidance expressly addresses asset transfers to a Family Foundation, noting that transactions involving Related Parties must comply with the arm's length principle. The resulting gain or loss may be subject to Corporate Tax, depending on the transferor's identity and tax status, as well as the nature of the assets transferred.
- Entry into, or exit from, transparency does not reset asset cost. Where a juridical person becomes part of a fiscally transparent Family Foundation structure, or later exits that structure, there is no automatic step-up or step-down in the tax base cost of its assets.
- Family offices should not be assumed to be transparent. The updated guide states that Single Family Offices and Multi Family Offices are unlikely to meet the conditions for fiscally transparent Family Foundation treatment because of the nature of their activities.

BDO Comments

As with other guidance issued by the FTA, this guidance is not legally binding but serves as interpretative support for the application of the UAE Corporate Tax Law. It provides meaningful clarity for family offices and wealth structures operating in the UAE, while underscoring the importance of periodically reviewing existing arrangements in light of evolving FTA interpretations.

As the UAE Corporate Tax regime continues to evolve, further refinements can be expected. Accordingly, families and their advisors should ensure that ownership structures, intra-group transactions and family office arrangements remain aligned with the latest regulatory expectations. In light of the updated guidance, existing structures should be revisited to confirm that their Corporate Tax positions are technically robust, appropriately documented and subject to ongoing monitoring.

United Arab Emirates

CORPORATE TAX (2/2)

Key corporate tax deadlines for 2026

With the UAE Corporate Tax regime now in its second full year of operation, a major wave of CT return filings is underway in 2026. The filing deadline is nine months from the end of the relevant tax period. Key upcoming deadlines for businesses on standard financial year-ends are:

- CT return due for businesses with a financial year ending 30 September 2025 is 30 June 2026.
- CT return due for businesses with a financial year ending 31 December 2025 is 30 September 2026. This is the largest filing cohort – the majority of UAE businesses.
- Transfer Pricing Disclosure Schedules: the FTA's EmaraTax portal now requires businesses to submit a Related Party Transaction Schedule and Connected Persons Schedule as part of the CT return filing. These schedules require gross income reporting from related parties (not net) and separate disclosure of discounts or returns.
- Small Business Relief (SBR): For SBR, FY 2026 is the last confirmed year for which relief remains available to businesses with revenue below AED 3 million. Any updates regarding future applicability are still awaited from the FTA.

United Arab Emirates

PILLAR TWO

Registration now live on the EmaraTax portal

The FTA has launched the Pillar Two Top-up Tax registration functionality on the EmaraTax portal. In-scope Multinational Enterprise (MNE) Groups should evaluate their registration requirements and begin compiling the necessary information and documentation. Entities that fall within the scope of the regime are required to register and may elect to do so under one of the following approaches:

- **Individual Entity Registration:** Each UAE in-scope entity registers separately, except for an entity which opts for the DDFE approach outlined below.
- **Domestic Designated Filing Entity ("DDFE"):** A UAE in-scope entity may be designated as the DDFE to fulfil Pillar Two compliance obligations on behalf of all UAE in-scope entities. The DDFE will be responsible for filing the Domestic Minimum Top-up Tax ("DMTT") return, settling DMTT tax liabilities arising under the regime and undertaking relevant administrative and compliance functions in the UAE. The DDFE must include the details of all UAE in-scope entities in its application and obtain formal authorisation from each such entity.

BDO Comments

Registration should be viewed as the first phase of the UAE Pillar Two compliance requirements. While the portal is now active, the FTA has yet to release detailed guidance on registration deadlines, filing timelines, administrative processes, or penalties. Given that the UAE Pillar Two regime will apply to fiscal years commencing on or after 1 January 2025, in-scope Multinational Enterprise (MNE) Groups must conduct proactive planning and early alignment to ensure timely, efficient and well-managed compliance. UAE in-scope MNE Groups should consider the following:

- Identifying Permanent Establishments (PEs), Joint Ventures (JV), flow-through entities or other Constituent Entities that fall within the scope of the UAE Pillar Two registration process.
- Reviewing the initial reporting period for UAE P2 purposes based on Ultimate Parent Entity's ("UPE") consolidated financial statements.
- Evaluating whether the Group intends to appoint a DDFE in the UAE.
- If the MNE Group intends to appoint a DDFE in the UAE, authorisation may be granted via a written letter or through EmaraTax during application (requests must be approved within 14 business days or they will lapse).
- If no DDFE is appointed, identifying the UAE In-scope entity to act as the Designated Local Entity, responsible for filing the Pillar Two Information Return or notification, as applicable.
- Assessing whether the jurisdiction of the UPE has a Qualifying Competent Authority Agreement in place with the UAE.

United Arab Emirates

VALUE ADDED TAX (1/2)

e-invoicing - ASP appointment date

The UAE Ministry of Finance has announced targeted amendments to the e-invoicing framework, most notably, extending the Accredited Service Provider (ASP) appointment deadline from 31 July 2026 to 30 October 2026 for businesses with revenues exceeding AED 50 million.

This extension reflects a broader assessment of market readiness and incorporates feedback from the business community, particularly the need for greater technical flexibility and competitive pricing among service providers.

Importantly, the overall implementation timeline remains unchanged, with mandatory e-invoicing set to go live from 1 January 2027 for in-scope entities. Below are the timelines for businesses to consider:

PHASES (Mandatory implementation)	ASP SELECTION	GO-LIVE
Companies with revenue ≥ AED 50 million	30 October 2026	1 January 2027
Companies with revenue < AED 50 million	31 March 2027	1 July 2027
Government entities	31 March 2027	1 October 2027

BDO Comments

While the extension provides additional time for ASP selection, businesses should act proactively. Systems review, upgrades, process redesign and data readiness require significant lead time and early action will be critical to achieving a smooth transition. Delaying momentum at this stage may reduce the time available for gap assessments, testing and go live readiness.

UAE Electronic Invoicing Guidelines

The Ministry of Finance released Version 1.1 of the UAE Electronic Invoicing Guidelines on 1 June 2026, adding two appendices to clarify e-invoicing preparations for businesses.

Appendix 5 specifically provides clarification regarding advance payments and retention.

Advance Payments:

- An Electronic Tax Invoice should be issued upon receiving an advance payment.
- The final invoice should only show the outstanding balance, avoiding duplication of amounts already invoiced.
- Advance payment invoice references should be included in the relevant billing reference fields

Retention Amounts:

- Businesses can issue an Electronic Invoice for the amount due after deducting the retention.
- A separate Electronic Invoice can be issued later when the retention amount becomes due.

United Arab Emirates

VALUE ADDED TAX (2/2)

VAT refunds for UAE nationals building new residences

The FTA has expanded the scope of expenses eligible for VAT refunds under the VAT Refund Scheme for UAE Nationals Building New Residences. The update significantly expands the scope of recoverable VAT by bringing a wider range of construction-related expenditures within the refund framework, provided the costs form an integral part of the residence and are intended for the private use of the applicant and their family.

This expansion is intended to reduce the financial burden associated with constructing a new residence and provides greater VAT recovery opportunities for Emirati families. Under the scheme, a UAE national who owns or acquires land in the UAE and builds or commissions the construction of a new residence for their own use and that of their family may apply for a refund of VAT incurred on eligible construction-related expenses, subject to meeting the prescribed conditions and documentation requirements.

- **Eligibility Criteria.** The FTA has reaffirmed that the eligibility of the refund is limited to UAE nationals (individuals) and the expenses must relate to a newly constructed residence intended for occupation by the applicant and their family.
- **Definition of New Residence.** Newly constructed buildings used predominantly as a private residence of a natural person, including fixtures and fittings forming part thereof, which comprise at least cooking facilities, washroom/bathroom facilities and sleeping quarters. Subsequent attachments or detached structures on the same plot are generally not considered a “residence” unless they contain sleeping quarters, washroom/bathroom facilities and access to cooking facilities.
- **Input Tax Recovery.** VAT incurred on contractor services and building materials that become an integral part of the permanent structure of the new residence are eligible. The updated guidance expands the list of qualifying expenses to include certain costs that form an integral part of the residence, including staff accommodation (security guard, driver and domestic worker rooms), smart and electronic doors and gates, gyms and playrooms, landscaped agricultural areas within the property boundaries, reconstruction works (including demolition and rebuilding), integrated smart home and security systems and swimming pools, fountains and domestic decorative water features. Non-eligible items include VAT incurred on furniture, removable appliances, decorative items and other goods that do not form part of the permanent structure of the residence. VAT incurred on transportation costs and customs clearing agent fees relating to the importation of building materials may be recovered, provided such costs are directly attributable to building materials used in the construction of the new residence.
- **Documentation Requirements.** Valid tax invoices compliant with UAE VAT law. Simplified tax invoices are not accepted for VAT refund purposes. Supporting documents must generally be in Arabic or English. Documents in other languages may need to be translated. Proof of payment supporting each invoice is required plus completion certificates from the relevant authority.

BDO Comments

UAE Nationals constructing new residences should review their construction plans and to identify additional VAT recovery opportunities. They should also ensure that supporting documentation is retained in an organised manner throughout the construction period and that refund claims are submitted within the prescribed statutory deadlines.

United Arab Emirates

CUSTOMS AND TRADE (1/2)

UK GCC trade agreement

The Gulf Co-operation Council (GCC) signed a landmark Free Trade Agreement with the United Kingdom (UK) on Wednesday, 20 May 2026.

Once in force, the agreement is expected to unlock new opportunities for businesses across both markets by reducing tariffs, enhancing market access and increased investment flow in key sectors.

Highlights of the agreement - goods

- Reduction or elimination of tariffs on a significant proportion of traded goods
- Tariffs will be removed on around 93% of UK exports to the GCC worth an estimated £580 million a year based on existing trade. £360 million worth of these tariff reductions are expected to apply as soon as the agreement comes into force.
- Introduction of rules of origin frameworks to ensure preferential treatment applies to qualifying goods.

Highlights of the agreement - services

- Enhanced market access and national treatment commitments for service providers
- Coverage of key sectors include financial services, professional and advisory services, technology and digital services

The agreement also includes measures aimed at facilitating trade, investment and business operations across GCC-UK markets. This includes commitments around the free flow of data, improved market access for financial and professional services, stronger investment protection frameworks, mobility of professionals and recognition of qualifications.

BDO Comments

Businesses with existing or prospective exposure to the GCC should proactively assess the commercial and tax implications to capitalise on the opportunities arising from the agreement once implemented.

Key areas of focus include:

- Assessing supply chains and sourcing models to identify tariff optimisation opportunities.
- Review existing contracts and pricing structures and align operations with rules of origin requirements.
- Preparing for changes in customs and documentation processes

United Arab Emirates

CUSTOMS AND TRADE (2/2)

Dubai Customs notices to ease shipment clearances

Extension of Transit period for goods

Dubai Customs issued Notice No. 05/2026 on 31 March 2026to introduce a temporary extension in transit timelines, aiming to strengthen supply chain continuity during current operational challenges.

The notice amends Policy No. 35/2011 on Goods in Transit, extending the maximum transit period from 30 days to 90 days from the date of customs declaration clearance. This applies specifically to transit (re-export) customs declarations.

Further extensions can be requested, subject to approval. The measure is temporary and effective during the current exceptional period

Activation of the Green Corridor between Dubai and Oman Ports

Dubai Customs has announced the activation of a “green corridor” through Customs Notice 04/2026 between the Emirate and the Sultanate of Oman for sea and air shipments, in cooperation with Oman’s General Administration of Customs. The initiative is designed to enhance the smooth flow of trade and strengthen supply chains by introducing faster and more efficient customs procedures during the times of disruption.

Under the green corridor, shipment data will be submitted in advance, allowing goods to be cleared quickly upon arrival through approved channels under the green corridor framework.

Scope

The corridor applies to goods arriving through Omani seaports and destined for Dubai’s local market or Free Zones and goods transferred from the local market or free zones in Dubai for exports via seaports of Oman.

Procedure

- Customs declaration and clearance of the cargo from international origins at Omani seaports in line with Oman Customs before the movement of goods to Dubai
- Transport under Oman Customs supervision through Al Wajajah border and, then to the Hatta border in Dubai. Customs Clearance at Hatta border by Dubai Customs Authority

The notice added that air cargo shipments originally destined for Dubai Airports and diverted to Omani airports will also be transferred directly to Dubai by bonded trucks, whether carried as unit load devices (ULDs) or loose cargo, after completing fast-track customs procedures in Oman.

The documentation Requirements are Bill of Lading, Cargo Manifest and any additional documents required by the respective customs authorities.

For good transferred from Dubai via Ports of the Sultanate of Oman the process is: Customs declaration with Dubai Customs before movement. Inspection at the Hatta border, before being transferred to the Al Wajajah border under Oman Customs’ supervision. Customs declaration and clearance in line with the Oman customs procedures before proceeding to Oman’s seaports.

Excluded Goods

Certain commodities listed in the official annex to the notice remain subject to standard customs procedures and are therefore excluded from the Green Corridor mechanism.

BDO Comments

Customs Notices No. 04/2026 and 05/2026 provide welcome relief to traders navigating uncertain supply chains. Compliance teams should update internal controls, monitor transit timelines closely and communicate the regulatory change across operations.

United Arab Emirates

TRANSFER PRICING (1/3)

Connected Persons - Public Clarification CTP010

The Federal Tax Authority (FTA) has issued Public Clarification CTP010, providing guidance on the interpretation of the terms “Director” and “Officer” for the purposes of the Connected Person provisions under Article 36 of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (UAE Corporate Tax Law).

The clarification seeks to ensure the consistent application of the Connected Person rules, particularly in relation to the deductibility of payments made to Connected Persons and the associated disclosure requirements. The guidance reinforces the FTA’s emphasis on substance over form and aligns with the broader objective of ensuring that transactions involving Connected Persons are conducted in accordance with the arm’s length principle.

Under the Corporate Tax regime, payments or benefits provided to Connected Persons are deductible only to the extent that they reflect the market value of the services or benefits received. Consequently, the determination of whether an individual qualifies as a Connected Person is a critical aspect of Corporate Tax compliance.

The clarification provides detailed guidance on who may be regarded as a “Director” and an “Officer”, confirming that the assessment extends beyond formal titles and focuses on the actual authority and responsibilities exercised by an individual.

Definition of Director

The FTA has clarified that a ‘Director’ refers to a person who holds a position on the board of directors or an equivalent governing body of a Taxable Person, as determined by applicable laws or the entity’s constitutional documents. This includes executive directors, non-executive directors, temporary or permanent directors, alternate directors and members serving on board committees.

Importantly, the FTA has confirmed that the use of the term director in a job title alone does not automatically result in an individual being treated as a Director for Connected Person purposes. However, the concept is not limited to formally appointed board members and may extend to individuals who effectively perform director-like functions and exercise board level authority, even where no formal board appointment exists.

United Arab Emirates

TRANSFER PRICING (2/3)

Definition of Officer

An individual may be regarded as an Officer where they possess authority and responsibility for planning, directing and controlling the activities of a Taxable Person, consistent with the principles outlined in IAS 24 - Related Party Disclosures.

In particular, an Officer is generally a person who:

- Has authority and responsibility for planning, directing and controlling the activities of a Taxable Person;
- Possesses authority to make strategic financial, operational or commercial decisions; or
- Has the authority to enter into agreements or approve actions that legally or contractually bind the Taxable Person.

The FTA states that such individuals may include Chief Executive Officers (CEOs), General Managers (GMs), Chief Financial Officers (CFOs), Chief Operating Officers (COOs), Chief Commercial Officers (CCOs) and other individuals exercising equivalent decision making authority.

At the same time, the FTA emphasises that job title, seniority, or involvement in day-to-day management alone are not determinative. The key consideration is whether the individual possesses ultimate decision-making authority or the ability to legally or contractually bind the business. Individuals whose responsibilities are limited to implementing decisions, making recommendations, or operating within parameters established by senior management or the board would generally not be regarded as Officers.

The clarification also includes several practical examples illustrating the distinction between individuals who would and would not qualify as Officers. For example, a General Manager responsible for overall management of a company or permanent establishment would generally be considered an Officer due to their strategic and operational authority. Similarly, a divisional head with ultimate authority over key business decisions may qualify as an Officer. Conversely, individuals who merely execute decisions under the direction of senior management, hold limited powers of attorney for administrative purposes, or conclude contracts only after material terms have already been approved would generally not fall within the definition.

United Arab Emirates

TRANSFER PRICING (3/3)

Additional Clarifications

The FTA has also provided the following important clarifications regarding the Connected Person rules:

- Only natural persons can qualify as Directors or Officers. Juridical persons, such as companies, cannot be treated as Directors or Officers for the purposes of Article 36.
- An individual may simultaneously qualify as both a Related Party and a Connected Person. In such circumstances, the transaction will be governed by the Related Party provisions and corresponding arm's length requirements rather than the Connected Person rules.
- The concept of an Officer applies broadly across all taxable persons, including companies, trusts, foundations and unincorporated partnerships.

BDO Comments

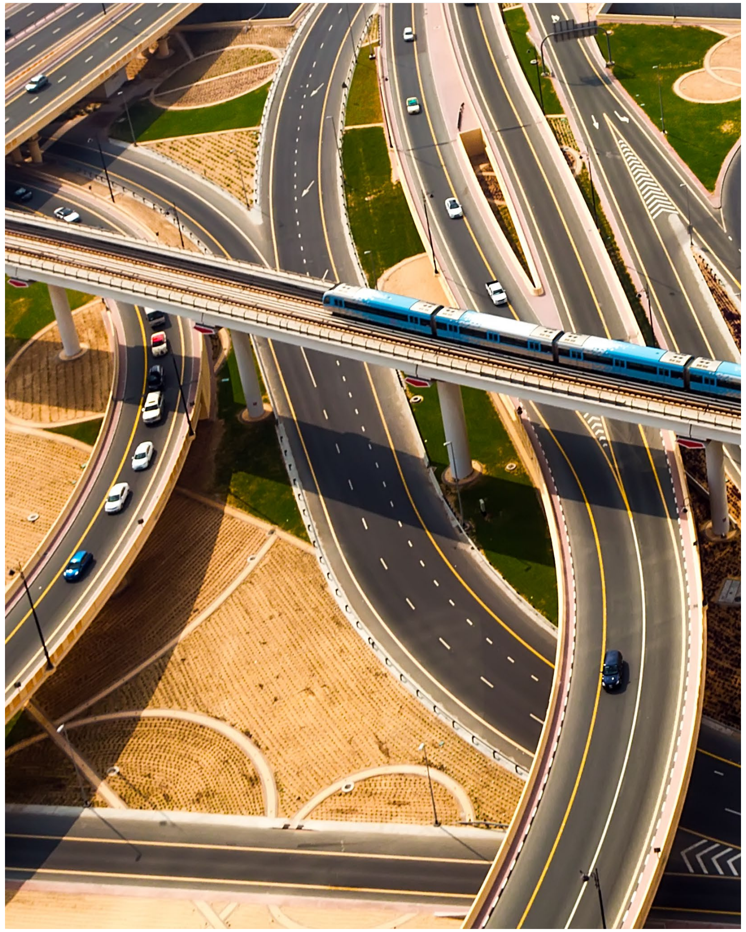
The clarification provides welcome guidance on an area that has generated significant uncertainty since the introduction of the UAE Corporate Tax regime. By focusing on the actual authority exercised by an individual rather than their formal title, the FTA has reinforced a substance-over-form approach that is consistent with international tax principles and the broader objectives of the Corporate Tax framework.

Businesses should carefully review their governance structures, delegation of authority frameworks, employment contracts, powers of attorney and internal approval processes to determine which individuals may be regarded as Directors or Officers for Corporate Tax purposes. This assessment is particularly important in large organisations where decision making authority may be shared across multiple functions, business units, or jurisdictions.

As the clarification is interpretative in nature, it is expected to apply from the commencement of the UAE Corporate Tax regime. Businesses should therefore assess whether their existing treatment of payments to Directors, Officers and other potentially Connected Persons remains appropriate and consider whether any corrective actions, disclosures, or adjustments may be required to ensure ongoing compliance.

United Arab Emirates

GENERAL TAX MATTERS (1/2)



Amendment to the Tax Procedures Executive Regulations

The UAE Cabinet introduced targeted amendments to the Executive Regulations of the Federal Decree-Law on Tax Procedures on 23 March 2026. These changes follow the amendments to the Tax Procedures Law that came into effect on 1 January. The amendments apply across VAT, Excise Tax and Corporate Tax and focus primarily on refund procedures, voluntary disclosures, record-keeping requirements, audit powers and the protection of taxpayer information.

- Extended record keeping period for refund claims. Taxpayers must retain records for an additional two years if a refund application is under FTA review, provided it was filed within the statutory limitation period.
- Voluntary disclosure – refund-related errors. Errors in refund applications must be disclosed within 20 business days if they exceed AED 10,000. Errors of AED 10,000 or less can be corrected in the next return or via voluntary disclosure if no return is available.
- Credit Balance Refund Procedures. “Tax refund” has been replaced with “refund of credit balance” to align with the Tax Procedures Law; timelines for decisions and repayments remain unchanged.
- Voluntary disclosure – removal of ‘no tax impact’ provision. The requirement to file a voluntary disclosure for errors with no tax impact has been removed from the Executive Regulations but still applies under the Tax Procedures Law and FTA guidance.
- Seizure and Retention of Documents and Assets. The FTA may extend the seizure and retention period for documents or assets, with notification where possible, to support completion of examinations.
- Confidentiality and Disclosure of Information. Disclosures of taxpayer information to competent government entities must now be covered by formal agreements ensuring confidentiality and data protection, reinforcing safeguards around taxpayer data.

BDO Comments

Taxpayers should review open and pending refund claims to ensure supporting documentation is retained for the extended period, reassess voluntary disclosure procedures (particularly for refund adjustments and low-value errors), update audit-readiness protocols to reflect the FTA’s extended powers to retain documents and assets and ensure data-sharing arrangements with government entities adequately address confidentiality and data protection obligations.

United Arab Emirates

GENERAL TAX MATTERS (1/2)

Dubai Multi Commodities Centre

The Dubai Multi Commodities Centre (DMCC) is nearing completion of the regulatory process to introduce a foundations framework within its free zone, representing the next step in the evolution of its structuring platform. Aimed at investors, family offices and private wealth holders, the framework is intended to provide a flexible, globally aligned solution to facilitate succession planning, long-term asset management, wealth preservation and governance.

Following the introduction of Special Purpose Vehicle (SPV) and Holding Company licences in 2025, this initiative is the result of extensive market engagement and international benchmarking.

Ministry of Finance reports tax revenue collection of over AED 46 billion in 2025

The MOF has announced that the total revenues collected from Value Added Tax and Excise Tax and distributed to the federal and local governments exceeded AED 46 billion in 2025, up from approximately AED 41 billion in 2024, reflecting a year-on-year increase of 15%.

Key contact information

BDO IN BAHRAIN

ALI JAWAD
17th Floor, Diplomat Commercial Office Tower, Manama, Kingdom of Bahrain

Email: ali@bdo.bh
Telephone: +973 17 530 077

www.bdo.bh

BDO IN KUWAIT

QAIS AL NISF
6th Floor, Al-Shaheed Tower, Khled Ben Al Waleed Street, Kuwait City, Kuwait

Email: qais.alnisf@bdo.com.kw
Telephone: +965 22 42 6999

www.bdo.com.kw

BDO IN QATAR

GAVIN BROWN
38th Floor, Palm Tower (B), West Bay, Doha State of Qatar

Email: gavin.brown@bdo.com.qa
Telephone: +974 4434 9770

www.bdo.com.qa

BDO IN OMAN

BIPIN KAPUR
Suite No. 601 & 602, Penthouse, Beach One Building, Way 2601, Shatti Al Qurum, Sultanate of Oman

Email: bipin.kapur@bdo.com.om
Telephone: +968 2 495 5100

www.bdo.com.om

BDO IN SAUDI ARABIA

GIHAD AL AMRI
7th & 8th floor, Moon Tower, King Fahd Branch Road, Riyadh 21421, Kingdom of Saudi Arabia

Email: g.alamri@bdoalamri.com
Telephone: +966 11 278 0608

www.bdoalamri.com

BDO IN UNITED ARAB EMIRATES

SHIVENDRA JHA
23rd Floor, Burjuman Office Tower, Sheikh Khalifa Bin Zayed Road, Dubai, United Arab Emirates

Email: shivendra.jha@bdo.ae
Telephone: +971 4 518 6666

www.bdo.ae