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TAX & LEGAL

Digest June-July 2026

Dear Colleagues,

We are pleased to present the latest issue of our monthly digest of tax and legal news from the Gulf countries, covering the most significant developments across the region in June and July 2026.

In the UAE, the Federal Tax Authority consolidated the Tax Refunds for Tourists Scheme and reduced the fixed refund fee, issued four VAT Directives addressing judicial expert services, adjustments after a member exits a VAT group, the conversion of digital currency into UAE Dirham and the treatment of fees under life insurance contracts, published a summary of Corporate Tax private clarifications and an updated Private Clarifications Guide, clarified the requirements for downward transfer pricing adjustments, adopted the latest OECD Pillar Two guidance, introduced a new agreed-upon procedures reporting requirement for Qualifying Free Zone Persons engaged in distribution activities, and released a new VAT guide for the education sector. The Ministry of Finance and the FTA also launched the pilot phase of the UAE's national Electronic Invoicing System, while the FTA's 2025 Annual Report recorded continued growth in tax revenues and registrations.

Saudi Arabia introduced a new corporate and registration framework for its Special Economic Zones and extended the Cancellation of Fines and Exemption from Financial Penalties Initiative until 31 December 2026. Qatar implemented a new tiered excise tax on sweetened drinks. Oman published updated practical guidance on its Fawtara e-invoicing rollout, including implementation phases and transaction-reporting timelines. Kuwait strengthened its participation in international tax transparency arrangements by signing multilateral agreements on Country-by-Country Reporting and the updated Common Reporting Standard, and outlined plans for new levies on multinationals and selected consumer goods from FY2027/28.

In this edition you will find updates on the following:

UAE

Saudi Arabia

- Saudi Arabia Introduces New Corporate Framework for Special Economic Zones
- Saudi Arabia Extends Tax Amnesty Initiative Until 31 December 2026

Qatar

- Qatar Introduces Tiered Excise Tax on Sweetened Drinks

Oman

- Oman Publishes Updated Fawtara E-Invoicing Guidance

Kuwait

- Kuwait Signs Multilateral Agreements on CbC Reporting and CRS 2.0
- Kuwait Outlines New Levies on Multinationals and Selected Consumer Goods

We hope you find this digest informative and remain available to discuss how these developments may impact your business.

FTA Updates the Tax Refunds for Tourists Scheme

Federal Tax Authority Decision No. 11 of 2026, issued on 1 July 2026 and effective from 12 July 2026, replaces and consolidates the rules governing the Tax Refunds for Tourists Scheme. The framework largely carries forward the existing scheme, while reducing the fixed fee deducted from each refund claim to AED 3.60 (down from AED 4.80).

The administrative fee remains 13% of the VAT amount refunded. The minimum qualifying purchase remains AED 250 inclusive of tax, goods generally must be exported within 90 days, and cash refunds remain capped at AED 35,000 per overseas tourist in any 24-hour period. Online purchases may qualify where the tourist requests the refund through a personal platform account and receives the goods directly. Motor vehicles, boats, aircraft and goods consumed in the UAE remain outside the scheme. Refund claims continue to be processed at UAE international airports, land ports and sea ports where the scheme is operational.

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FTA Confirms VAT Treatment of Judicial Expert Services

On 8 July 2026, the FTA issued Directive on Tax Transactions No. 1 of 2026 concerning services supplied by court-appointed judicial experts. The Directive applies to natural and legal persons registered in the Roster of Experts with the Ministry of Justice, a local judicial authority, or arbitration centres, who are appointed by a competent court to provide expert services. The Directive confirms that expert services supplied by individuals or entities registered in the relevant expert rosters are carried out in the course of business and constitute taxable supplies for VAT purposes.

Amounts paid for those services are consideration for a supply, irrespective of whether the expert was appointed by a court or the fees are settled by a government entity. Judicial experts must therefore assess their VAT registration position against the thresholds in Article 13 of the VAT Law and Article 7 of the VAT Executive Regulation, if not already registered, and comply with the ordinary invoicing, reporting and payment obligations where the statutory registration conditions are met. Experts who have treated court-appointed engagements as outside the scope of VAT, on the basis that the appointment stems from a court order or that fees are settled by a government body, should revisit that position and consider any historical exposure and whether a voluntary disclosure may be appropriate.

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FTA Clarifies VAT Adjustments Following Exit from a Tax Group

Directive on Tax Transactions No. 2 of 2026 addresses adjustments arising after a person leaves a VAT tax group but remains VAT-registered. From 1 August 2026, the former member must report in its own VAT returns any later adjustment connected with supplies made or expenses incurred before its departure where the original transaction was reported through the tax group.

The rule covers, among other matters, reductions in the value of taxable supplies and reductions in taxable expenses for which input tax was previously recovered by the group, for example through credit notes or price reductions that trace back to transactions reported by the group. The former member must retain records linking the adjustment to the transaction originally declared by the group and should coordinate with the representative member to prevent duplication or omission. Businesses that have recently left, or are planning to leave, a VAT tax group should put processes in place to capture such post-exit adjustments ahead of the 1 August 2026 effective date.

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FTA Publishes Summary of Corporate Tax Private Clarifications

The FTA published a consolidated summary of selected Corporate Tax private clarifications issued up to May 2026. The document provides anonymised summaries of positions taken by the Authority in response to taxpayer-specific applications and offers practical insight into the FTA's interpretation of recurring Corporate Tax issues.

Although a private clarification is binding only in relation to the applicant and the specific facts presented, the published summaries are a useful indicator of the Authority's administrative approach. Taxpayers should therefore compare the factual assumptions and legal basis carefully before relying on a summarised position in their own circumstances.

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UAE Adopts Updated OECD Guidance for Domestic Minimum Top-up Tax

The Ministry of Finance issued Ministerial Decision No. 96 of 2026, published on 22 June 2026, adopting specified OECD Commentary and Agreed Administrative Guidance for the purposes of the UAE Domestic Minimum Top-up Tax under Cabinet Decision No. 142 of 2024.

The Decision is important for multinational enterprise groups applying the UAE Pillar Two rules because the incorporated OECD materials guide the interpretation and operation of the GloBE framework, including technical computation, transition and administrative issues. The Decision applies to Fiscal Years starting on or after 1 January 2025, giving it retroactive effect. In-scope groups should ensure that their UAE DMTT modelling and compliance processes reflect the versions of the OECD materials formally adopted by the Decision, and should revisit GloBE positions, safe harbour elections and filing approaches already taken for FY2025 to confirm they remain aligned with the updated guidance.

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FTA Publishes VAT Guide for the Education Sector

On 29 June 2026, the FTA published VAT Guide VATGED1 for the education sector. The guide brings together the VAT treatment of educational services and related supplies and explains when the zero rate, standard rate or exemption may apply.

The guidance is relevant to schools, universities, nurseries, training providers and other education-sector participants. It also addresses practical matters such as closely related goods and services, supplies made to students, input tax recovery and record-keeping. Education providers should review their supply classifications and invoicing practices against the new guide.

Our team has prepared a **detailed alert** on this Guide.

UAE Launches Pilot Phase of National E-Invoicing System

On 1 July 2026, the Ministry of Finance, in collaboration with the FTA, launched the pilot programme and voluntary adoption phase of the UAE's national Electronic Invoicing System, under a Peppol-based five-corner model. Participating businesses and accredited service providers (ASPs) can now test technical integration ahead of the wider mandatory rollout, and any business may voluntarily begin issuing, exchanging and reporting electronic invoices and credit notes from this date.

Businesses with annual revenue of AED 50 million or more must appoint an ASP by 30 October 2026 (extended from the original 31 July 2026 deadline) and fully implement the system by 1 January 2027. Businesses below that threshold must appoint an ASP by 31 March 2027, with mandatory implementation from 1 July 2027, while in-scope government entities must appoint an ASP by 31 March 2027 and implement from 1 October 2027. Voluntary adopters are not subject to the administrative penalties under Cabinet Decision No. 106 of 2025 until their mandatory phase applies. Businesses should use the pilot period to select an ASP, test ERP integration and prepare master data ahead of their applicable deadline.

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FTA Publishes its 2025 Annual Report

On 29 June 2026, the FTA published its 2025 Annual Report. The Authority reported AED 46 billion in VAT and Excise Tax revenues for 2025, compared with AED 41 billion in 2024, and stated that the number of tax registration transactions reviewed increased by more than 20% to approximately 1.7 million.

The report also records more than 245,000 Corporate Tax registration applications, approximately 98,000 VAT registration applications and 206 Excise Tax registration applications completed during the year, alongside a 46% increase in audits. The figures indicate the continued expansion of the UAE tax administration and the growing scale of registration, compliance and enforcement activity.

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FTA Introduces New Compliance Requirement for Free Zone Distributors

The Federal Tax Authority issued Decision No. 6 of 2026 (2 June 2026), prescribing additional compliance procedures for Qualifying Free Zone Persons (QFZPs) carrying on the Qualifying Activity of distribution of goods or materials in or from a Designated Zone under Ministerial Decision No. 229 of 2025. Affected QFZPs must now obtain an agreed-upon procedures (AUP) report from an independent external auditor, prepared under ISRS 4400, and submit it to the FTA within 30 days of the Corporate Tax return filing deadline for the relevant Tax Period. The requirement applies to Tax Periods commencing on or after 1 January 2026.

The AUP report must demonstrate, on a sample basis, that customers resell or process the distributed goods for resale, and that goods imported by the QFZP entered the UAE through a Designated Zone, drawing on trade licences, customer declarations, sales records and import documentation. If the report is not submitted, the distribution activity conditions are deemed not met, which can put the 0% QFZP rate at risk and expose the person to the standard 9% Corporate Tax rate, potentially for five Tax Periods.

Affected businesses should engage their external auditor early on the scope and timing of the ISRS 4400 engagement and begin assembling the required documentation ahead of the deadline.

Our team has prepared a **detailed alert** on this Decision.

FTA Sets Out Requirements for Downward Transfer Pricing Adjustments

The FTA issued Public Clarification CTP011, setting out the disclosure requirements and key considerations applicable where a Taxable Person makes a downward transfer pricing adjustment in its Corporate Tax Return, in cases where Related Party transactions have not been recorded in the Financial Statements in accordance with the arm's length standard.

As the UAE Corporate Tax regime operates on a self-assessment basis, no prior FTA approval is required for an upward or downward adjustment, however, all Related Party transactions in respect of which a downward adjustment is made must be disclosed in the Corporate Tax Return irrespective of their value or nature, in contrast to the threshold-based general Related Party disclosure requirement. Taxable Persons should maintain contemporaneous documentation, including a rationale for the departure from the recorded pricing, an arm's length analysis with appropriate benchmarking, a reconciliation to the Financial Statements and evidence of symmetrical corresponding adjustments by the relevant Related Parties. CTP011 applies only to adjustments under Article 34(1) of the Corporate Tax Law and does not extend to corresponding adjustments under Articles 34(10) and 34(11). As downward adjustments reduce Taxable Income, they may attract heightened scrutiny in a Tax Audit, and businesses should ensure each adjustment is supported by a defensible analysis before filing.

Our team has prepared an **alert** on this Clarification.

FTA Publishes Updated Private Clarifications Guide

The FTA published an updated Private Clarifications Guide, dated July 2026, reflecting recent legislative and procedural developments. Most notably, the guide now addresses clarification requests relating to the UAE Pillar Two Top-up Tax regime: as a general rule applicants must be registered for Top-up Tax, and where a Domestic Designated Filing Entity has been appointed, only that entity may submit a request on behalf of the MNE Group through its EmaraTax account. Requests concerning the QDMTT remain outside the scope of the service, except in relation to registration, with the commencement date for other QDMTT requests to be announced in Q4 2026.

The guide also confirms that the FTA is currently accepting unilateral advance pricing agreement applications for domestic Related Party transactions, and that private clarifications cannot be used to confirm that a transaction satisfies the arm's length standard. A Tax Agent registered with the FTA for Corporate Tax may submit a Top-up Tax clarification request on behalf of an eligible applicant. Applicants should further note that where the questions in the EmaraTax form differ from those in the cover letter, the FTA will answer the questions as stated in the form, and that a request may be rejected where the matter is already addressed in the FTA's published materials. Taxpayers preparing clarification requests should ensure the correct applicant, consistent framing of questions and complete supporting analysis.

We have summarised the key changes in the **alert.**

FTA Issues VAT Directive on the Conversion of Digital Currency into UAE Dirham

The FTA issued Directive on Tax Transactions No. 3 of 2026, introducing a prescribed methodology for converting the value of digital currency into UAE Dirham for VAT reporting purposes. The Directive applies to Taxable Persons making a supply of digital currency or supplying goods or services for which the consideration is received in digital currency.

Affected Taxable Persons must select three centralised public digital currency exchange platforms from the FTA's approved list, use the same three platforms for all transactions during the relevant calendar year, and convert the digital currency into UAE Dirham using the arithmetic average of the exchange rates published by those platforms at the date and time of the supply or the receipt of consideration, as applicable. Records evidencing the exchange rates obtained from each selected platform must be retained in addition to ordinary VAT record-keeping obligations. The FTA has published the approved list of platforms, currently comprising Binance FZE, Bybit Fintech FZE, Deribit FZE, Bitget and Payward FZCO. Businesses accepting or receiving consideration in digital currency should review their valuation methodology, record-keeping procedures and VAT reporting processes against the new requirements.

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FTA Clarifies VAT Treatment of Fees under Life Insurance Contracts

Directive on Tax Transactions No. 4 of 2026 clarifies when fees and charges connected with life insurance and life reinsurance contracts form part of the VAT-exempt supply of insurance. Fees will be treated as forming part of the exempt supply where the underlying services are necessary for making the supply, directly connected with the provision or transfer of the contract, and the consideration for those services forms an integral part of the total consideration payable under the contract, with no separate consideration charged.

Qualifying fees may include charges relating to the management, operation or execution of a life insurance or life reinsurance contract, provided the prescribed conditions are satisfied. By contrast, services that are independent in nature, are not an essential part of the provision or transfer of the contract or are subject to separate charges constitute separate supplies for VAT purposes. The assessment is based on the facts and circumstances of each case, and insurers should review the nature of fees charged under such contracts to confirm that the VAT treatment adopted aligns with the conditions set out in the Directive.

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SAUDI ARABIA

Saudi Arabia Introduces New Corporate Framework for Special Economic Zones

The Board of Directors of the Economic Cities and Special Zones Authority (ECZA) approved a new regulatory package for companies operating in the Jazan, Ras Al-Khair, King Abdullah Economic City and Cloud Computing and AI Special Economic Zones, published in Umm Al-Qura Gazette Issue 5171 on 10 July 2026. The package consists of Companies Rules, Companies Register Rules and Trade Names Rules, and builds on the executive regulations for the four zones approved by the Council of Ministers earlier in 2026.

The framework establishes the limited liability company as the permitted corporate form, requires the company's head office to be located within the relevant zone and introduces detailed governance, capital, director-duty, distribution, merger and liquidation rules. It also provides for a central electronic register, mandatory beneficial ownership disclosure and annual reconfirmation obligations, together with specific rules for trade names and dispute procedures. Businesses considering an SEZ presence should review both initial structuring and ongoing governance requirements under the new regime.

Saudi Arabia Extends Tax Amnesty Initiative Until 31 December 2026

ZATCA announced the Minister of Finance's decision to extend the Cancellation of Fines and Exemption from Financial Penalties Initiative for a further six months from 1 July 2026, with the initiative now running until 31 December 2026.

Subject to the applicable conditions, the initiative may provide relief from penalties for late registration, late payment and late filing under the tax laws, as well as VAT return correction fines. Taxpayers seeking to benefit should submit outstanding returns, correct historical non-compliance and settle the principal tax due within the prescribed requirements and timelines. ZATCA has confirmed that any further extension beyond 31 December 2026 will not cover fines relating to returns due after 30 June 2026, so taxpayers should not delay in regularising legacy exposures.

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QATAR

Qatar Introduces Tiered Excise Tax on Sweetened Drinks

Qatar's General Tax Authority (GTA) implemented a new Excise Tax mechanism on sweetened drinks, effective 6 July 2026, pursuant to Law No. 2 of 2026 amending the Excise Tax Law. The mechanism applies a tiered volumetric model, under which the applicable tax is calculated according to the amount of sugar or added sweeteners contained in taxable beverages and products, in line with an approach agreed at GCC level in 2025.

The scope covers sugar-sweetened drinks such as soft drinks and juices, as well as concentrates, powders and extracts that can be converted into such beverages. Excise Tax applies only to packaged products and only where sugar content is medium or high; beverages prepared for immediate consumption and served without sealed packaging are excluded, as are tobacco products, e-cigarettes and energy drinks. Holders of excise goods must submit a Transitional Declaration through the Dhareeba platform, with taxpayers holding inventories below 200,000 litres required only to declare, with no tax payable, while taxpayers holding inventories of 200,000 litres or more must also submit an audited inventory report confirming the quantity of stock held and pay any applicable Excise Tax. Taxpayers must submit their tax return within 90 days from 6 July 2026 and pay any tax due within 30 days of filing.

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KUWAIT

Kuwait Signs Multilateral Agreements on CbC Reporting and CRS 2.0

The Kuwait Ministry of Finance signed the Country-by-Country Reporting Multilateral Competent Authority Agreement and the addendum supporting implementation of the updated Common Reporting Standard, commonly referred to as CRS 2.0.

The agreements strengthen Kuwait's participation in the automatic exchange of tax information. They are expected to facilitate the cross-border exchange of Country-by-Country Reports between tax authorities and the future exchange of expanded financial account information under the updated CRS framework. Multinational groups and financial institutions should monitor the domestic implementation steps and assess whether their data, due diligence and reporting systems are ready for the enhanced requirements.

Kuwait Outlines New Levies on Multinationals and Selected Consumer Goods

Kuwait's Ministry of Finance has indicated that two new levies are expected to be enforced during the 2027-2028 fiscal year (commencing 1 April 2027): a tax targeting multinational corporate groups, expected to generate around KD 250 million (approximately USD 825 million) per year, and a selective "sin tax" on products such as alcohol, tobacco, vaping products and sugary drinks, expected to generate a further approximately KD 200 million per year once fully in force.

The measures form part of Kuwait's efforts to diversify non-oil revenue amid a forecast rise in the fiscal deficit for 2026-2027. Officials have said the corporate levy has already been enforced in principle, with collection expected to follow in the next fiscal year, while the consumer-goods levy is expected to be collected alongside it. Groups with a Kuwait presence, and businesses trading in the affected consumer categories, should monitor further legislative and administrative guidance as the measures are finalised.

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ARTICLES

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Best regards,

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