W I L L O W

T A X & L E G A L

Digest August-September 2026

Dear Colleagues,

We are pleased to present the latest issue of our monthly digest of tax and legal news from the GCC, covering the most significant developments across the region in August and September 2026.

In the UAE, the Cabinet amended the VAT Executive Regulations in a package that reworks input tax apportionment onto a turnover basis, tightens the composite supply test, narrows recovery on employee benefits and adds a restriction on recovery where consideration is paid in cash, which will apply once the Minister sets the relevant threshold. The Federal Tax Authority prescribed the supplier and transaction checks a taxable person must perform before deducting input tax, set out the form in which the information in accounting records and commercial books may be held, and issued Public Clarifications VATP046 on the 2024 and 2025 amendments to the VAT legislation and VATP045 on Concerned Goods imported before 2026. It also published two Top-up Tax guides, on scope and registration and on excluded and investment entities, issued a new decision on registration and applications for exemption from Corporate Tax, replacing its 2023 decision, and set out procedures for the disposal of seized and abandoned goods. Dubai Customs raised the duty-free threshold for cross-border e-commerce shipments.

In Saudi Arabia, ZATCA opened a public consultation on the classification of violations and penalties under the Real Estate Transaction Tax regime. Qatar published six decisions completing the compliance framework for the Global and Domestic Minimum Taxes and announced the electronic processing of analysis certificates for sweetened drinks. Bahrain updated both its DMTT Return Filing Manual and its DMTT Computation Guide.

In this edition you will find updates on the following:

UAE

- FTA Issues Decision on the Procedures for the Disposal of Seized and Abandoned Goods
- FTA Clarifies the Treatment of Concerned Goods Imported Before 2026
- FTA Introduces Supplier Due Diligence for Input VAT Recovery
- FTA Issues Decision on the Rules and Requirements for Maintaining Information in Accounting Records and Commercial Books
- Dubai Customs Raises Duty-free Threshold for E-commerce Shipments
- FTA Updates the Corporate Tax Exemption Procedure

Saudi Arabia

- Saudi Arabia Consults on Real Estate Transaction Tax Violations and Penalties

Qatar

- Qatar Issues Six Decisions Implementing Pillar Two
- Qatar to Process Sweetened Drinks Analysis Certificates Electronically

Bahrain

- Bahrain Updates the DMTT Return Filing Manual
- Bahrain Updates the DMTT Computation Guide

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

UAE

FTA Issues Guide on the Scope and Registration of UAE Top-up Tax

On 26 August 2026, the FTA issued the Top-up Tax Guide on Scope and Registration (TTGREG1), explaining the scope of the UAE Domestic Minimum Top-up Tax and the registration requirements for affected entities. It covers the two scope conditions, namely that the relevant entities form part of an MNE group and that the group meets the EUR 750 million consolidated revenue threshold in at least two of the four preceding fiscal years, and addresses the identification of the ultimate parent entity, the treatment of constituent entities, permanent establishments and joint ventures, and the categories outside the charging provision.

Registration follows the charging provision, is separate from corporate tax registration, and remains required even where top-up tax is deemed to be zero under the de minimis exclusion, a safe harbour or the relief for the initial phase of international activity. A group may register each UAE entity individually or appoint a Domestic Designated Filing Entity, subject to the conditions the Guide sets out. An entity whose first in-scope fiscal year ended before 30 April 2026 must register by 30 November 2026, and otherwise within seven months from the end of that fiscal year, with an AED 10,000 penalty for late registration. Groups should confirm their scope position, identify every UAE entity and permanent establishment concerned and settle the registration route before the deadline.

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FTA Issues Guide on Excluded Entities and Investment Entities

In August 2026, the FTA issued the Top-up Tax Guide on Excluded Entities and Investment Entities (TTGEIE1), explaining which entities fall outside the charging provision of the QDMTT Legislation. The primary Excluded Entities it addresses are International Organisations, Non-profit Organisations, Pension Funds and Investment Funds or Real Estate Investment Vehicles that are the UPE of an MNE Group, and it sets out the ownership, activities and income tests for the secondary Excluded Entities held by them. It also covers the treatment of Permanent Establishments of Excluded Entities, the three conditions on which an entity wholly owned by one or more Non-profit Organisations is itself treated as an Excluded Entity, the definition of Investment Entities including Insurance Investment Entities, and the Five-Year election not to treat an entity as an Excluded Entity. The Guide notes that an Exempt Person under the Corporate Tax Law does not automatically qualify as an Excluded Entity, so each entity must self-assess against the QDMTT criteria, and it sets out the practical effects of the status: the entity falls outside the charging provision and has no registration or filing obligations, although its revenue still counts towards the EUR 750 million consolidated threshold.

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UAE Amends the VAT Executive Regulations

Cabinet Decision No. 149 of 2026 amends several provisions of the VAT Executive Regulations. Most amendments take effect from 1 October 2026, while the revised input tax apportionment rules in Article 55 apply from the first VAT tax year commencing after 1 October 2027. A new Clause 6 of Article 4 prevents a business from treating components as multiple supplies where the nature and economic substance of the transaction show that they are interconnected and cannot be separated, so that the transaction is treated as a single composite supply following its principal component. A new Clause 3 of Article 54 will deny input tax recovery where the value of a supply exceeds an amount to be specified by the Minister and the consideration is paid, or intended to be paid, in cash.

Other amendments narrow input tax recovery on employee benefits. Accommodation is excluded unless it is mandatory under a decision or directive of the Ministry of Human Resources and Emiratisation, and contractual or policy-based benefits are limited to the cases and conditions the FTA will specify. Under the profit margin scheme, acquisition costs may be included in the purchase price only where the input tax on them is not recoverable. The Decision also replaces the one-month test for temporary presence in the UAE with 30 days, consolidates the zero-rating of medical products, and redefines a Capital Asset as a business asset costing AED 5 million or more. The widest financial impact is likely to come from Article 55, where the standard recovery percentage becomes turnover-based and capital asset supplies and Article 48 receipts are excluded, while government entities and charities retain an input-tax-based method. Businesses should model the new formula, review bundled arrangements and employee benefit policies, and monitor the Ministerial decision prescribing the cash-payment threshold.

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

FTA Clarifies Recent Amendments to the UAE VAT Law

The FTA has issued Public Clarification VATP046 on the amendments made to the VAT Decree-Law by Federal Decree-Law No. 16 of 2024, effective from 30 October 2024, and Federal Decree-Law No. 16 of 2025, effective from 1 January 2026. It does not introduce new rules but explains the FTA's interpretation of the amended provisions. The definition of a Non-Resident now turns on whether a person has a Place of Establishment or Fixed Establishment in the UAE rather than whether it owns one, so a foreign business may have a Fixed Establishment without owning the premises. The FTA gives the example of employees who regularly work from a client's UAE premises using technological resources such as mobile phones or computers. The Clarification also confirms that an electronic document is not automatically a valid Tax Invoice or Tax Credit Note and must satisfy Articles 59 or 60 of the VAT Executive Regulation.

Under the amended Article 48(1), a taxable person is no longer required to self-invoice for Concerned Goods or Concerned Services imported on or after 1 January 2026, but must still account for VAT under the reverse-charge mechanism and retain the required supporting documents. Excess Recoverable Tax must be refunded or used within five years from the end of the relevant Tax Period, and using part of a credit does not extend the deadline for the remainder.

Under Article 54 bis, the FTA may reject an input tax deduction where the supply or supply chain is connected with tax evasion and the taxpayer knew or should have known of that connection, and a taxpayer is treated as having been required to know where it failed to verify the validity and integrity of the supplies beforehand. The relevant supply chain is not limited to direct suppliers and customers. Article 79 bis has been repealed, as limitation is already governed by the Tax Procedures Law. Businesses should assess their VAT and Corporate Tax exposure separately, track each VAT credit by the Tax Period in which it arose, and implement the verification measures prescribed by FTA Decision No. 13 of 2026.

For a fuller analysis, see our **alert** on VATP046.

FTA Issues Decision on the Procedures for the Disposal of Seized and Abandoned Goods

FTA Decision No. 7 of 2026, issued on 11 June 2026 and in force since its publication in the Official Gazette on 30 July 2026, sets out how the FTA will store, move, sell and dispose of seized and abandoned goods. It applies only to goods that are perishable, subject to shortage or leakage, or in a condition that might endanger other goods or the facility holding them, with anything outside those categories remaining governed by the Tax Procedures Law. The FTA must preserve the condition, quality and quantity of the goods and maintain appropriate inventory, monitoring and access records. The competent committee may authorise a sale by public auction where the owner has not retrieved the goods after settling the relevant tax, penalties and expenses, has exhausted the right of retrieval or has waived it. Proceeds are applied first to auction, storage and movement costs and then to outstanding tax and penalties, and any balance may be credited to the owner's tax account. Time therefore works against the owner: storage costs accrue from seizure, must be settled before the goods can be retrieved and rank first out of any sale, while perishable goods lose value meanwhile and cannot be sold once that value is gone. The owner is notified only after the sale has been decided, so any argument about whether the goods are perishable, whether they retain value or whether the costs are reasonable should be made at the point of seizure.

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FTA Clarifies the Treatment of Concerned Goods Imported Before 2026

The FTA has issued Public Clarification VATP045 on how taxable persons should have accounted for output tax, issued tax invoices and recovered input tax on Concerned Goods imported into the UAE. It applies only to goods imported on or before 31 December 2025, as Federal Decree-Law No. 16 of 2025 removed the self-invoicing obligation for reverse charge imports from 1 January 2026. A taxable person importing Concerned Goods is treated under Article 48(1) of the VAT Law as making a taxable supply to itself, and must reconcile the output tax prepopulated in Box 6 of the VAT return against its own records, adjusting any discrepancy in Box 7.

Although a self-issued tax invoice was strictly required within 14 days, the FTA accepts that none was necessary, and that no administrative exception under Article 59(7)(b) of the Executive Regulation had to be sought, where the taxable person retained the overseas supplier's invoice and the Emirate customs declaration and verified the Box 6 amount. The concession is unavailable where either document is missing, and a taxable person that did self-invoice must still issue itself a tax credit note where the import was subsequently adjusted. Input tax recovery does not turn on the self-issued invoice, as it is those two documents that Article 48(5) of the Executive Regulation prescribes. Taxable persons with open tax periods, a pending voluntary disclosure or an audit touching historic imports should verify their import files and consider a voluntary disclosure where the documentation is incomplete.

Our detailed analysis of VATP045 is available **here**.

FTA Introduces Supplier Due Diligence for Input VAT Recovery

The FTA has issued Decision No. 13 of 2026, effective from 1 October 2026, prescribing the checks a Taxable Person must perform before deducting Input Tax on supplies received. It operationalises Article 54 bis of the VAT Law, under which Input Tax may be denied where a supply is connected with Tax Evasion and the recipient knew or should have known of that connection. The Decision introduces two linked layers of verification: a supplier-level review of identity, actual place of business and specified risk indicators, refreshed if not carried out in the previous 12 months, and checks on each taxable supply covering its commercial rationale, payment arrangements, pricing and the role of intermediaries.

A valid tax invoice will therefore no longer suffice on its own. Businesses will need a documented due diligence process, transaction-level checks and evidence that they were carried out before Input Tax is claimed. The thresholds are narrower than they appear: the AED 10,000 de minimis falls away once spend with the same supplier exceeds, or is expected to exceed, AED 100,000 over a rolling 12-month period, and enhanced bank-account and public-information checks apply above AED 375,000. The Decision imposes no separate administrative penalty, but the deduction may be denied under Article 54 bis, and even a legitimate supplier and transaction will be hard to defend if the prescribed checks cannot be shown to have been performed and documented.

Read our new **alert** for a detailed overview of the requirements.

FTA Issues Decision on the Rules and Requirements for Maintaining Information in Accounting Records and Commercial Books

FTA Decision No. 4 of 2026, issued on 2 June 2026 and in force since its publication in the Official Gazette on 30 July 2026, governs the form in which the information contained in accounting records and commercial books may be held, and in particular when an electronic copy or a photocopy will be accepted in place of the original. The obligation to keep such records, and the retention periods, remain governed by the Tax Procedures Law and Cabinet Decision No. 74 of 2023, and the Decision applies to any Person subject to those obligations, whether or not registered for tax. A copy must be identical to the original and contain all of its pages in the same order, so a partial scan will not suffice, and it must remain clearly legible on screen and, in the case of a photocopy, not fade over the retention period. Records must be accessible to the FTA on request, and that access extends to the system in which they are held, including any encryption keys or passwords. A Person may engage a third party to maintain its records but remains legally responsible for them, so a failure by an outsourced bookkeeper or archiving provider remains its own. Businesses should review their existing archives, particularly scanned documents, and confirm that their arrangements allow the required records and systems to be produced when requested.

Find more details in our **alert**.

Dubai Customs Raises Duty-free Threshold for E-commerce Shipments

Dubai Customs has issued Customs Notice No. 16/2026 on customs procedures for cross-border e-commerce. E-commerce shipments with a value not exceeding AED 1,000 are now exempt from customs duties, up from AED 300. The exemption does not extend to tobacco and tobacco products, electronic smoking devices, equipment and accessories, liquids containing nicotine, alcoholic beverages or food preparations containing alcohol.

Goods returned through companies for B2C purposes, on which customs duty is proven to have already been levied, are exempt provided they are returned within 60 days of their exit. Client Happiness Management now handles company registration, the addition of activities to the customer registration system and enrolment on the Platform, while Legal Affairs deals with disputes arising in connection with the Notice. E-commerce businesses and logistics providers should update their customs, order-management and duty-calculation systems to reflect the new threshold, the excluded categories and the rules for returned goods.

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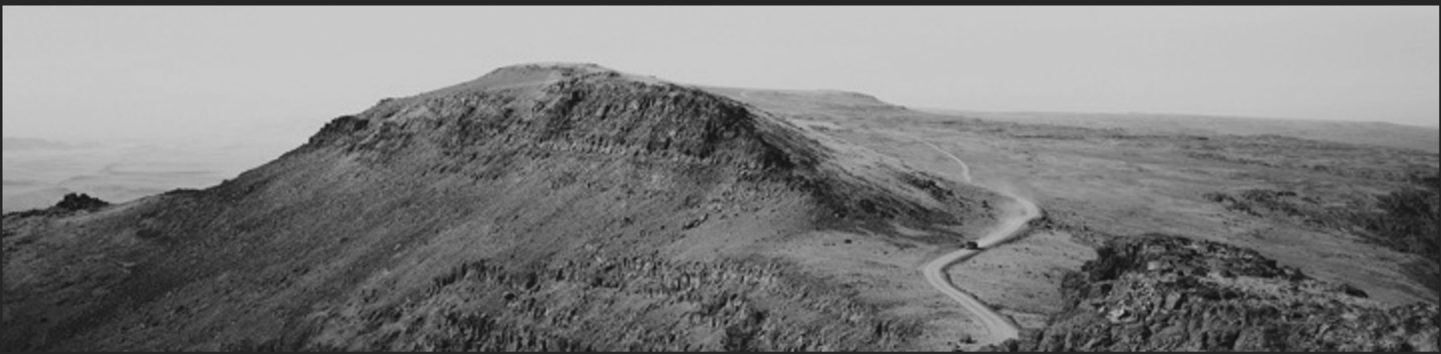

FTA Updates the Corporate Tax Exemption Procedure

FTA Decision No. 15 of 2026, issued on 8 September 2026 and effective from 15 September 2026, replaces FTA Decision No. 7 of 2023 and sets out how persons exempt from Corporate Tax under Article 4 of the Corporate Tax Law register and apply for that exemption. Exemption is available only after the Authority has approved the person's Tax Registration, and the application must be made after the end of the Tax Period in which the conditions for exemption were met and no later than 90 Business Days from the end of that period. The Decision sets separate deadlines for certain categories of applicant, several of which fall in the final months of 2026, and addresses juridical persons that are wholly owned and controlled by another exempt person, whose applications are decided only after the owner's exemption has been approved. Where an application is approved, the exemption is generally effective from the start of the Tax Period specified in it, although the Authority may determine another date in the circumstances the Decision lists. It applies to Tax Periods commencing on or after 1 June 2023 in relation to applications submitted on or after its effective date, so exempt persons should check their pending applications and internal deadlines against the new timelines.

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Saudi Arabia

Saudi Arabia Consults on Real Estate Transaction Tax Violations and Penalties

ZATCA opened a public consultation on 3 September 2026, closing on 3 October, on a draft classification of violations and penalties under the Real Estate Transaction Tax regime, published on the National Competitiveness Center's Istitlaa platform. The draft covers two categories, tax evasion and general breaches of the RETT Law and its Implementing Regulations, and is intended to standardise the application of penalties within the maxima already set by Article 15 of the RETT Law. Tax evasion would attract a fine of up to three times the evaded tax, applying equally to anyone proven to have participated in, assisted or facilitated it, with the multiple determined by the proportion of tax evaded relative to the total due and by aggravating factors such as false documentation and a prior evasion violation. General breaches would attract progressive fines, with providing false information about a transaction penalised at the tax due or SAR 50,000, whichever is greater, and with failure to register a transaction and failure to maintain tax records ranging from SAR 5,000 to SAR 50,000, and failure to cooperate with inspections, obstructing access to documents and other breaches of the regulations from SAR 1,000 to SAR 50,000. Parties transacting in Saudi real estate should review their RETT compliance positions and record-keeping practices, identify any historical reporting gaps, and consider whether a voluntary disclosure would mitigate exposure before the framework is finalised.

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Qatar

Qatar Issues Six Decisions Implementing Pillar Two

The General Tax Authority has issued Decisions Nos. 17 to 22 of 2026, signed on 10 May 2026 and published in Issue 14 of the Official Gazette on 27 August 2026. Made under Council of Ministers Resolution No. 2 of 2026, they set out how multinational enterprise groups and joint venture groups with Qatar operations are to comply with the Income Inclusion Rule and the Domestic Minimum Top-up Tax, and they apply to fiscal years beginning on or after 1 January 2025. The decisions address currency conversion, including the translation of the EUR revenue thresholds and of top-up tax into Qatari riyal, and introduce a transitional simplified jurisdictional reporting framework. They also adopt the Transitional CbCR Safe Harbour with its de minimis, simplified effective tax rate and routine profits tests, allow simplified calculations for Non-Material Constituent Entities, govern the appointment and responsibilities of the Designated Local Entity, and prescribe the procedures for registration, amendment and deregistration through the Authority's electronic platform. Where the ultimate parent entity is located in Qatar it is automatically the Designated Local Entity unless another domestic constituent entity is appointed, and where it is not, the group must elect one from its domestic constituent entities. Groups with a presence in Qatar should settle that appointment, assemble the registration data and assess their eligibility for the transitional safe harbour ahead of the registration deadlines.

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Qatar to Process Sweetened Drinks Analysis Certificates Electronically

The General Tax Authority has announced that, with effect from 1 November 2026, the analysis certificates required for the registration of sweetened drinks will be approved electronically through the Dhareeba platform by direct integration with laboratories accredited by the Ministry of Public Health and registered with the Authority. Taxpayers will submit the product registration application through Dhareeba and deliver a sample to an accredited laboratory, which will determine the types and quantities of sugars and sweeteners, and once the laboratory approves the results the test data and the analysis certificate are sent to the platform automatically, without the need to attach them manually. The Authority links the change to the expansion of the excise tax on sweetened drinks and to its wider work on digital services and electronic integration with other bodies. Businesses registering sweetened drink products should confirm that the laboratories they use are both accredited by the Ministry of Public Health and registered with the Authority, since the new procedure runs through the laboratory's direct link to Dhareeba.

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Bahrain

Bahrain Updates the DMTT Return Filing Manual

The National Bureau for Revenue has published Version 1.1 of its DMTT Return Filing Manual on 6 September 2026, setting out how in-scope MNE Groups file Domestic Minimum Top-up Tax returns, make payments and request refunds through the Bureau's online portal ahead of the first filing cycle. The manual covers the Revenue Test Notification, by which a group confirms whether it meets the EUR 750 million consolidated revenue threshold, the Central Filing Notification, by which it elects to rely on a GloBE Information Return filed in another jurisdiction, the Information Schedule, submitted as an XML file complying with the OECD GIR schema, and the Tax Computation Schedule, with step-by-step instructions and worked examples for each submission. Because the Revenue Test Notification is an annual requirement, groups that concluded they were out of scope in an earlier year should confirm it has been filed for each subsequent year, and Filing Constituent Entities should map their computations onto the prescribed schedules well before the deadline rather than at the point of filing.

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Bahrain Updates the DMTT Computation Guide

Bahrain's National Bureau for Revenue updated its DMTT Computation Guide on 23 August 2026. First issued in June 2026, the guide sets out general principles for computing the 15% Domestic Minimum Top-up Tax introduced by Decree-Law No. 11 of 2024 and supplemented by the Executive Regulations issued under Decision No. 172 of 2024, which applies from 1 January 2025 to MNE Groups operating in Bahrain with consolidated group revenue of at least EUR 750 million in at least two of the four fiscal years preceding the reporting fiscal year. It prescribes a twelve-step computational sequence for the Filing Constituent Entity, beginning with the Financial Accounting Net Income or Loss of each Bahrain-located Constituent Entity as included in the Ultimate Parent Entity's Consolidated Financial Statements, and confirms the transition rates for the Substance-Based Income Exclusion, which for fiscal years beginning in 2026 are 9.4% for eligible payroll costs and 7.4% for eligible tangible assets. The guide states the current views of the Bureau rather than binding interpretation, is not exhaustive and is to be read together with the DMTT Law and the Executive Regulations, so in-scope groups should reconcile their existing computations to the prescribed sequence while confirming the underlying positions against the legislation itself.

Read more...

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Best regards,

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