



## GCC Taxation Updates

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### Natural Shortages

The UAE Federal Tax Authority (FTA) has released Decision No. 6/2025, effective 1 July 2025, establishing a structured regime for managing and reporting natural shortages of excise goods in Designated Zones. The move aligns UAE practices with international tax standards and replaces the earlier discretionary approach with a more systemized, transparent process.

Natural shortages—losses that arise from uncontrollable factors during production, transportation, or storage—are now subject to defined thresholds. Businesses must obtain prior approval from the FTA before claiming such shortages, and these thresholds must be independently verified. To that end, an FTA-approved Independent Competent Entity (ICE) will conduct assessments of production lines, storage facilities, and operational environments. The ICE's report, valid for up to one year, will confirm the permissible shortage levels. Companies are further required to notify the ICE promptly whenever material changes occur that could affect loss ratios.

The new framework also introduces more robust compliance obligations. Businesses will be expected to maintain comprehensive, audit-ready records, backed by ICE assessments, ensuring real-time tracking of excise goods and readiness for potential FTA inspections. Failure to comply could lead to the denial of excise tax relief and the imposition of penalties.

This decision marks a significant shift in practice, moving away from discretionary approvals toward mandatory third-party validation, fixed reporting timelines, and greater regulatory certainty. Importantly, the new rules apply only to natural shortages, while other categories of loss—such as theft or operational mistakes—continue to be dealt with under separate guidance (e.g., EXTP007).

### MAP Guidance

The UAE Ministry of Finance has released detailed Mutual Agreement Procedure (MAP) guidance, offering greater clarity for taxpayers on eligibility criteria, procedural steps, and documentation requirements when seeking relief from double taxation under the UAE's double tax treaties.

The guidance outlines typical circumstances that can give rise to double taxation, such as cross-border transfer pricing adjustments or the creation of permanent establishments across jurisdictions.

To access MAP, taxpayers are required to file claims within three years from the point at which they become aware of a potential double taxation concern.

The Ministry further highlighted that outcomes from UAE domestic court judgments or Tax Dispute Resolution Committee decisions may affect the extent of relief ultimately granted by the UAE Competent Authority in MAP cases. Alongside procedural explanations, the guidance also specifies the information and supporting documentation that must accompany a MAP claim.

## Saudi Arabia

### Waiver Extended

The Saudi Zakat, Tax, and Customs Authority (ZATCA) has announced that the Minister of Finance has approved an extension of the tax fines waiver, exempting taxpayers from applicable penalties. This extension will be in effect for six months, covering all Saudi tax laws until 31 December 2025.

The initiative primarily targets penalties associated with late registration, late payment, and late filing of tax returns, and also encompasses fines arising from inaccuracies in VAT returns and compliance with electronic invoicing requirements. The measure aims to encourage taxpayers to address any outstanding compliance issues without facing penalties.

To benefit from the waiver, taxpayers must follow the prescribed registration procedures, ensure all required tax returns are submitted, accurately report any previously undisclosed taxes, and settle the principal tax liabilities connected with the submitted or amended returns.

### Anti – Dumping Duties

A decision has been issued regarding final anti-dumping duties on imports of longitudinally welded circular cross-section stainless steel pipes from China and Taiwan, in accordance with the Law of Trade Remedies in International Trade (Saudi Arabia Decision No. 321/1444). The measure is designed to protect domestic manufacturers from unfair trade practices by foreign entities.

The imposed duties will range from 6.5% to 27.3% and will remain in effect for five years, starting 30 June 2025. The Zakat, Tax, and Customs Authority (ZATCA) will be responsible for implementing and collecting the duties.

Anti – Fronting Duties

The Dammam Criminal Court has levied a SAR 200,000 fine on a Saudi citizen and an Egyptian resident following their conviction in a cover-up (tasattur) case related to a water desalination business in the Qatif governorate.

Under the Anti-Fronting Law (Saudi Arabia Cabinet Decision No. 785/1441), the court’s ruling also included the annulment of the business’s commercial registration and license, enforced liquidation of the entity, and collection of outstanding zakat, fees, and taxes. The Saudi national was additionally barred from engaging in the same commercial activity, while the Egyptian resident faces deportation and an indefinite ban on re-entry to Saudi Arabia.

The ruling further required that the offenders’ names be published in local media at their expense. Tasattur violations often involve attempts to conceal the true ownership of a business, such as enabling a foreign national to operate in a restricted sector or benefit from lower tax rates.

Kuwait

MNE Taxation

Kuwait Ministerial Decree No. 55/2025 has issued the implementing regulations for Kuwait Decree-Law No. 157/2024, which establishes the framework for the Taxation of Multinational Enterprise Groups.

The regulations introduce a Domestic Minimum Top-up Tax (DMTT) in Kuwait, designed to align with the OECD Global Minimum Tax Pillar Two requirements. Under this legislation, a 15% DMTT applies to multinational enterprises (MNEs) operating in Kuwait that report annual consolidated global revenues of at least EUR 750 million in at least two of the last four fiscal years.

Qatar

Penalty Exemption

The Qatar General Tax Authority (GTA) has introduced the Financial Penalty Exemption Initiative to enhance taxpayer compliance by alleviating financial penalties associated with late tax registration, filing, or payment. The initiative, outlined under a structured framework, offers a full exemption from such financial penalties to participating taxpayers if they fulfil specified terms and conditions.

This initiative affects a broad range of taxpayers and provides an opportunity to rectify tax obligations without incurring penalties.

According to the GTA, taxpayers can obtain information and submit their Simplified Tax Returns directly at the Authority’s headquarters. The GTA is also encouraging taxpayers to use designated times—Sundays, Tuesdays, and Thursdays—to meet tax officials in person at the GTA Tower and seek assistance regarding this initiative.

Bahrain

Pillar 2 Manual

The Bahrain National Bureau for Revenue (NBR) has released an Advanced Payment Manual, designed to guide Multinational Enterprise (MNE) Groups in efficiently managing their Domestic Minimum Top Tax (DMTT) obligations. The Manual provides a clear overview of the advance payment process and step-by-step instructions for navigating the NBR online portal to accurately complete required forms. For MNE Groups operating in Bahrain, the Filing Constituent Entity (CE) is responsible for settling DMTT liabilities through quarterly advance payments.

The Manual also highlights important relief measures. MNE Groups that elect options such as the transitional Country-by-Country Reporting (CbCR) safe harbour, the de minimis exclusion, or the initial phase of international activity exclusion are not required to submit advance payments, as their DMTT liability is considered nil. However, businesses should remain vigilant: if circumstances change and the MNE Group no longer qualifies for previously selected relief, and the Filing CE chooses to settle its DMTT liability, the registration must be promptly updated to remove the prior relief and reflect the revised eligibility.

For MNE Groups with a fiscal year ending 31 December, the first and second quarter advance payments are due on or before 29 August 2025. Payments can be made via Bahrain’s National Portal (Bahrain.bh) or through Fawateer payment services using the reference number generated upon submission. Filing CEs should log into the NBR online portal with their User ID and password, click the DMTT tab, select DMTT Returns, locate the DMTT Advance Payments row, and use the three dots under Actions to select New Payment. This step initiates the declaration process. For MNE Groups not required to make advance payments, the option will simply not appear on the portal.

This Manual provides a practical roadmap for ensuring compliance while optimizing the use of available relief measures, helping MNE Groups manage DMTT obligations efficiently and avoid unnecessary penalties.

## Tax Treaty Updates

### Bahrain

- A double taxation treaty with Oman has been officially ratified.

### Qatar

- Kuwait and Qatar have signed a double taxation treaty.

### United Arab Emirates

- The double taxation treaty with Bahrain will take effect for withholding and other taxes from 1 January 2026.

### Saudi Arabia

- The Croatian Parliament has approved a double taxation treaty with Saudi Arabia.

### Kuwait

- Kuwait Decree-Law No. 80/2025 has enacted a double taxation treaty with Saudi Arabia.

VAT and Customs Duties when importing vehicles into Saudi Arabia from abroad.

### Bahrain

- In the first six months of 2025, a total of 724 VAT inspections were conducted, resulting in 71 fines being issued. Common violations identified included failures to display prices inclusive of VAT, not presenting a valid VAT registration certificate, not issuing a VAT invoice, and issuing VAT invoices for goods or services that were not subject to VAT.

## Key Development

### United Arab Emirates

- The UAE Securities and Commodities Authority (SCA) has imposed fines amounting to AED 325,000 on several licensed financial institutions in the UAE. The penalties were issued for failures to comply with mandatory reporting obligations under the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS) during 2025.
- The UAE Ministry of Finance and the Federal Tax Authority (FTA) have announced an adjustment to the application of the selective tax on sweetened beverages. Going forward, the tax will be determined based on the sugar content of each product, rather than solely on its product category.

### Qatar

- The Qatar General Authority of Taxation has referred 13 companies to the Public Prosecutor's Office following investigations that uncovered their involvement in tax evasion cases. The violations are estimated to total approximately QAR 36 million.

### Saudi Arabia

- The Zakat, Tax and Customs Authority (ZATCA) has announced that persons with disabilities will be exempt from



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[www.cnkuae.com](http://www.cnkuae.com)

# CNK UAE

## UAE

903, Nassima Tower, Trade Centre 1, Sheikh Zayed Road, Dubai, UAE

- |  |                                    |  |
|--|------------------------------------|--|
| <b>Dubai:</b> +971 4355 9533                 | <b>Abu Dhabi:</b> +971 4355 9544   | <b>Mumbai (Churchgate):</b> +91 22 6623 0600 |
| <b>Mumbai (Vile Parle):</b> +91 22 6250 7600 | <b>Chennai:</b> +91 44 4384 9695   | <b>Vadodara:</b> +91 265 234 3483            |
| <b>Ahmedabad:</b> +91 79 2630 6530           | <b>GIFT City:</b> +91 79 2630 6530 | <b>Bengaluru:</b> +91 91 4110 7765           |
| <b>Delhi:</b> +91 11 2735 7350               | <b>Pune:</b> +91 20 2998 0865      | <b>Kolkata:</b> +91 70 4447 3777             |