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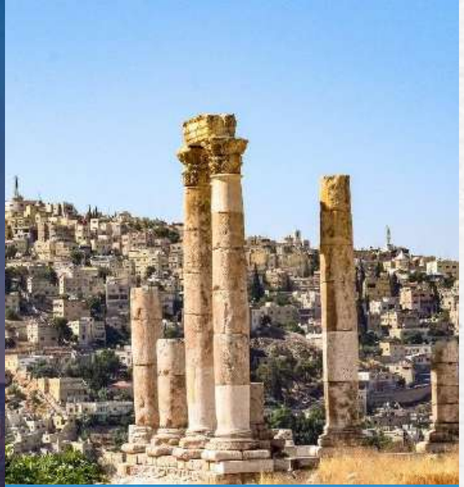
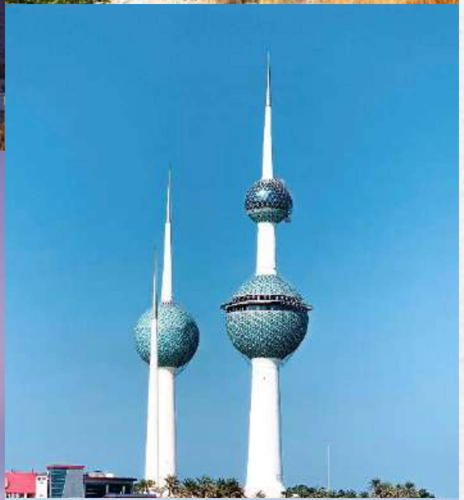
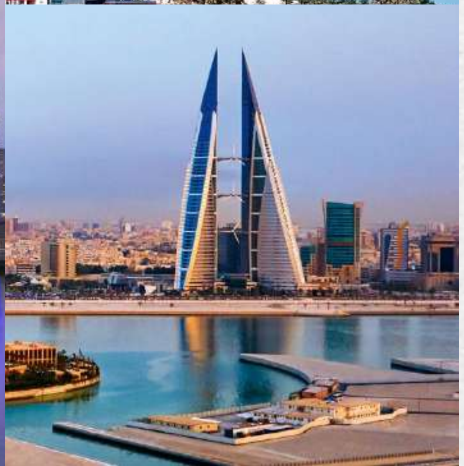
TAX RECAP

GCC TAX AND REGULATORY OVERVIEW

June 2025



Contents

Message from our Leader

At MMJS, we see ourselves at the forefront of a region in motion. Across the GCC, tax landscapes are not just evolving they are being reshaped by policy reform, digitization, and global convergence. From Oman's landmark announcement of personal income tax to Bahrain's movement toward corporate tax, the message is clear that transformation is here, and it's accelerating.

This dynamic environment demands more than just technical expertise it calls for foresight, agility, and a partner who truly understands the local pulse with a global view. That's where MMJS comes in. Whether it's navigating DMTT registration in Bahrain, VAT complexities in the UAE, or regulatory changes across the region, we help businesses stay prepared, compliant, and future-ready.

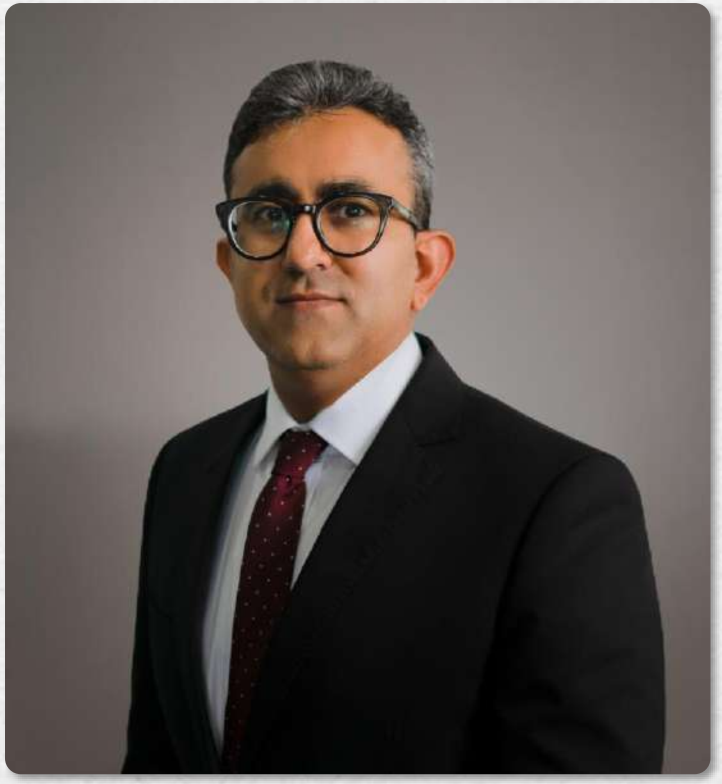
In this edition of our newsletter, we offer not just updates, but context drawing from real-time developments across key GCC markets. Our goal is to equip you with the clarity to make confident decisions, backed by the support of a team that understands your challenges across borders and sectors.

Thank you for continuing to place your trust in us.

From,

Surandar Jesrani

Group CEO and Managing Partner



SURANDAR JESRANI

Group CEO & Managing Partner

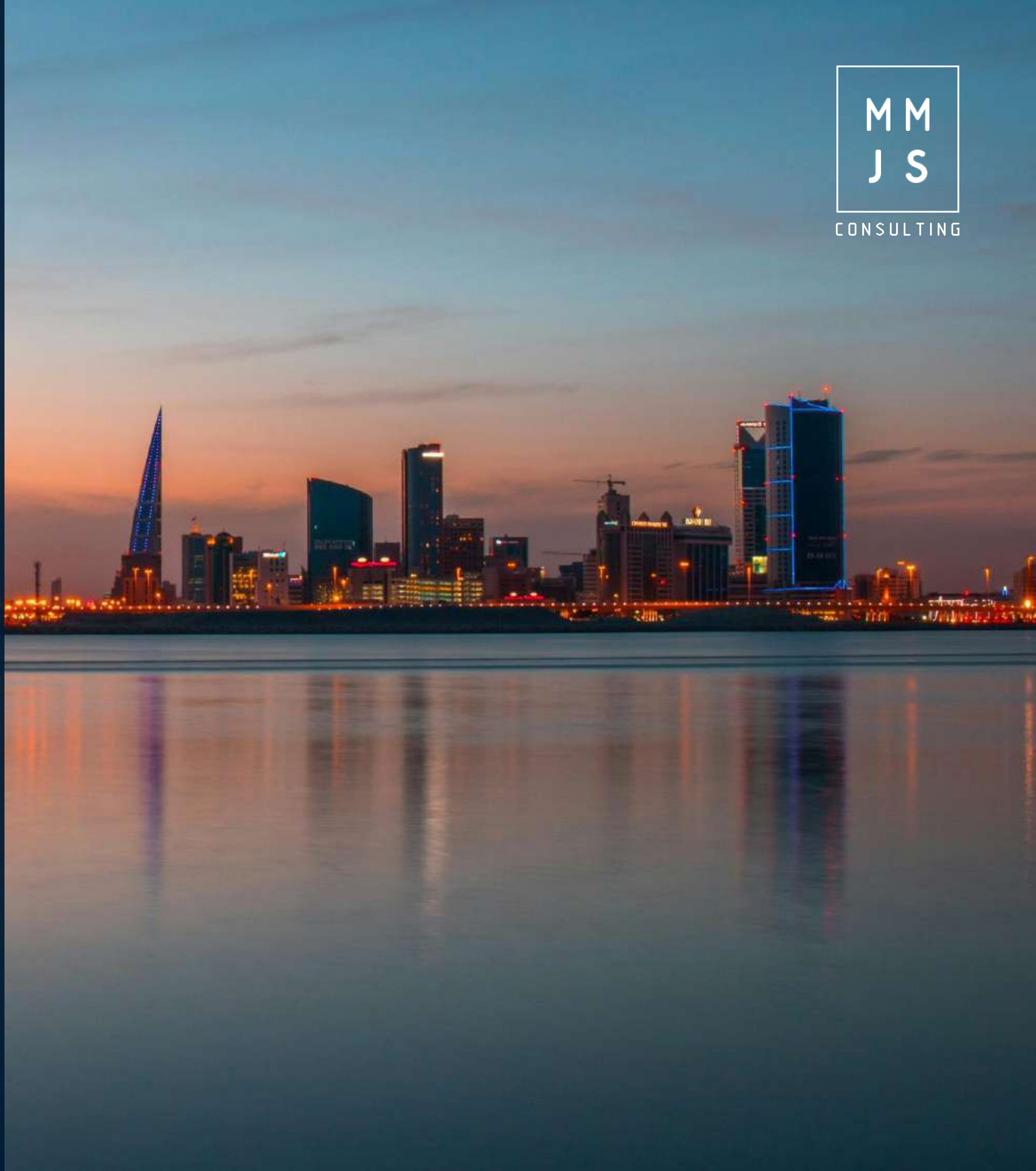
KINGDOM OF BAHRAIN

VAT

- NBR Updates VAT Guidelines for Real Estate Sector
- VAT Guidelines for Retail Sector Updated By NBR
- NBR Publishes Revised TOGC VAT Guide

TAX TREATY

- Bahrain Ratifies Tax Treaty With Oman



VAT

NBR Updates VAT Guidelines for Real Estate Sector

The National Bureau for Revenue (NBR) released an updated version of the VAT Real Estate Guide that includes a new section on Owners' Associations.

According to the updated guidelines, an owner's association will not be regarded as carrying out an economic activity when performing its primary roles as defined under Resolution No. 7 of 2018, which governs owners' associations and joint properties. The following activities when performed by owner's associations are not considered as economic activities for VAT purposes;

- Representing owners in legal proceedings
- Managing common parts of the property
- Preparing annual budgets
- Invoicing maintenance costs

However, the guidelines mentions that activities of an owner's association other than ones listed above that is used to generate income continuously will be previewed as an economic income leading them to be registered for VAT and charge VAT at the standard rate for any supplies made. The association may manage the property directly through a board of directors or appoint a third party to manage operations on its behalf. If a third party is hired, and they are VAT registered, their service fees will be subject to VAT at the standard rate (10%), where applicable. If the third party is not registered for VAT, then the third party will be required to register for VAT.

When recovering input VAT, an owners' association must assess whether the expense was incurred in the course of performing its primary roles as defined under Resolution No. 7 of 2018, which regulates owners' associations and joint properties or if it relates to the association's taxable supplies. As per the guidelines, VAT incurred on expenses related to the association's primary roles cannot be recovered, as these activities are not considered economic activities. However, input VAT may be recovered on purchases that are directly linked to taxable activities (such as other income-generating services), provided the association is VAT registered.

MMJS Comments:

Owners' associations should begin to assess whether they are engaged in any ongoing, income-generating activities beyond their primary responsibilities under Resolution No. 7 of 2018. These additional services will be considered economic activities going forward. If the total value of such taxable supplies exceeds the mandatory registration threshold, the association will be required to register for VAT. Even if below the threshold, voluntary registration may be beneficial to recover eligible input VAT. Once registered, the association must distinguish between expenses incurred for primary roles (e.g. legal representation) and those linked to taxable activities. VAT paid on purchases related to the association's core, non-economic activities is not recoverable, whereas VAT on expenses directly tied to taxable services may be claimed, subject to proper documentation. It is therefore essential to maintain clear records and ensure tax invoices are obtained for recoverable expenses. Where services are received from non-resident suppliers, owners' associations must also consider their obligations under the reverse charge mechanism. Lastly, updating internal accounting processes and providing basic VAT training for parties involved will help ensure ongoing compliance with the updated VAT requirements issued by the NBR.

Should you need any assistance, please contact one of our professional tax advisors.

VAT Guidelines for Retail Sector Updated By NBR

The NBR has released an updated version of the VAT Retail Guide, which includes a new section on raffle prizes. The updated guidelines require retailers to assess whether prizes provided to customers should be treated as deemed supplies for VAT purposes.

As part of their normal business activities, VAT-registered retailers may organize raffles offering customers the chance to win prizes, typically in the form of goods such as motor vehicles, mobile phones, and similar items.

According to the guidelines, where a retailer has claimed input VAT on the purchase of the prize and the prize is provided free of charge, this will constitute a deemed supply and will be subject to VAT at the standard rate, depending on the nature of the item. However, if the raffle winner is a non-resident and the prize is exported, the supply may be zero-rated, provided that the relevant conditions for export are met and the export is carried out by the retailer, the winner, or a third party on their behalf.

It is important to note that in cases of deemed supplies, the raffle organizer (retailer) is required to account for output VAT at the applicable rate and report it in the corresponding tax period. Additionally, a VAT invoice must be issued and retained, even if it is not physically provided to the winner.

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MMJS Comments:

Retailers organizing raffle campaigns should begin by reviewing all promotional activities where prizes are awarded free of charge. It is important to determine whether input VAT was claimed on the purchase of such prizes, as this may lead to a deemed supply for VAT purposes.

In cases where the raffle winner is a non-resident and the prize is exported, retailers must retain adequate documentation including evidence of the export arrangements to support the application of the zero-rate where applicable. Additionally, any output VAT must be properly reported in the relevant VAT period as part of the retailer's tax return.

To ensure compliance, internal teams should be trained on the VAT implications of raffle campaigns. Internal procedures should be updated to align promotional planning with VAT obligations, helping to mitigate any potential compliance risks

Should you need any assistance, please contact one of our professional tax advisors.

NBR Publishes Revised TOGC VAT Guide

The NBR released an updated version of the VAT Guide on the Transfer of a Going Concern (TOGC). The key update relates to the incorporation of a natural person registered for VAT purposes (e.g. an Individual Establishment) into a legal entity (e.g. a W.L.L.).

In such cases, where the business assets are transferred from the ownership of a natural person to a newly incorporated legal entity, the transfer is treated as a surrender of economic activity. To qualify as a TOGC and be treated as a non-taxable supply, both the natural person and the legal entity must

- Notify the NBR of the transfer,
- Complete the required notification forms within the prescribed timeline, and
- Comply with all conditions outlined in Article 12 of the VAT Executive Regulations.

If any of the TOGC conditions are not satisfied, the transferor (the natural person) must apply VAT at the appropriate rate on each asset transferred and issue a VAT invoice detailing the supplies. The transferee (the legal entity) may be eligible to recover the VAT incurred on the transferred assets, provided they are VAT registered and meet the input VAT recovery conditions.

TAX TREATY

Bahrain Ratifies Tax Treaty With Oman

On 23 June 2025, Bahrain officially ratified the Bahrain–Oman Income Tax Treaty (2025) via Law No. 28 of 2025, following prior approval by both the Shura Council and the Council of Representatives. The treaty, originally signed on 15 January 2025 in Muscat, is designed to prevent double taxation and enhance cooperation on income tax matters between the two countries

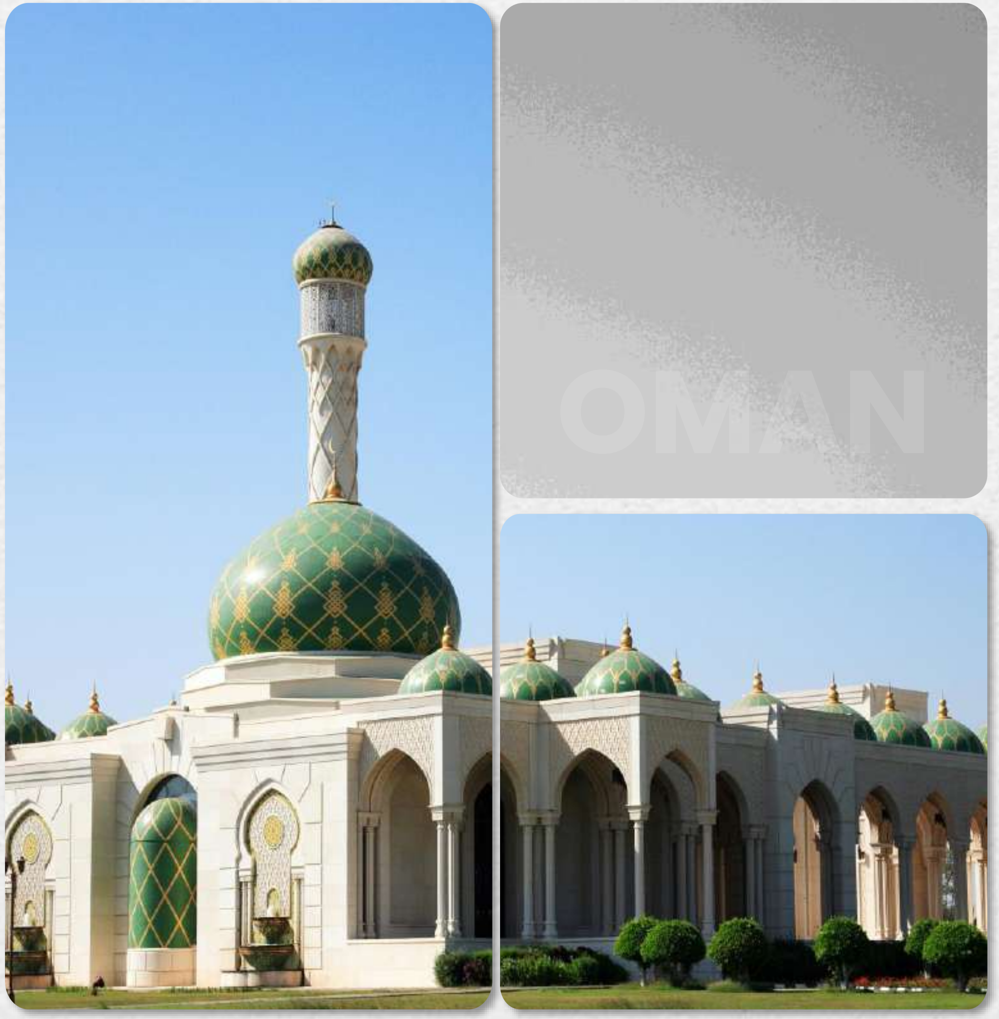
SULTANATE OF OMAN

INCOME TAX

- Personal Income Tax Law Announced

TAX TREATY UPDATES

- Oman Approves Treaty With Luxembourg and Kazakhstan



INCOME TAX

Personal Income Tax Law Announced

On 22 June 2025, Oman issued Royal Decree No. 56 of 2025 introducing a personal income tax, effective from 1 January 2028. Furthermore, the Oman Tax Authority ('OTA') is said to issue the Executive Regulations ('ER') to PIT Law within one year from the date of the law is published in the Official Gazette. These regulations will provide the detailed framework and procedural rules necessary for enforcement and compliance.

With the introduction of this law, Oman becomes the first GCC country to establish a fully integrated tax system encompassing revenue collection from individuals, businesses, and other entities. This comprehensive framework enables the government to sustainably fund public services and infrastructure.

Under the new legislation, any natural person whose annual gross income exceeds OMR 42,000 will be subject to PIT at a rate of 5%, after accounting for eligible exemptions, costs, and losses as outlined in the PIT Law. According to the OTA, a number of exemptions and deductions will be available to qualifying taxpayers, including the following.

- One-time exemption on income earned outside the Sultanate of Oman for a period of two years.
- Income from industrial property rights for five years from the date of registration.
- Income generated from the sale of a primary residence.

- One-time deduction for interest paid on financing the construction or purchase of a primary residence.
- One-time exemption on income from the sale of a secondary residence.
- Zakat, charitable donations, and religious endowments (waqf).
- Inherited income and gifts.
- Education and healthcare expenses.

According to the OTA, under the current annual income threshold, approximately 99% of Oman's population will not be subject to PIT. The law is therefore expected to primarily impact the top 1% of high-net-worth individuals in the country. Individuals are advised to closely monitor upcoming announcements from the OTA, particularly concerning the Law, ER, and additional implementation guidance.

MMJS Comments:

The introduction of personal income tax represents a major policy shift under Oman's Vision 2040 and reflects the country's intent to diversify its revenue base. Individuals with income above the prescribed threshold should start evaluating their income sources and available deductions. Early assessment will help avoid last-minute disruptions and ensure a smooth transition ahead of the 2028 implementation date.

Should you need any assistance, please contact one of our professional tax advisors.

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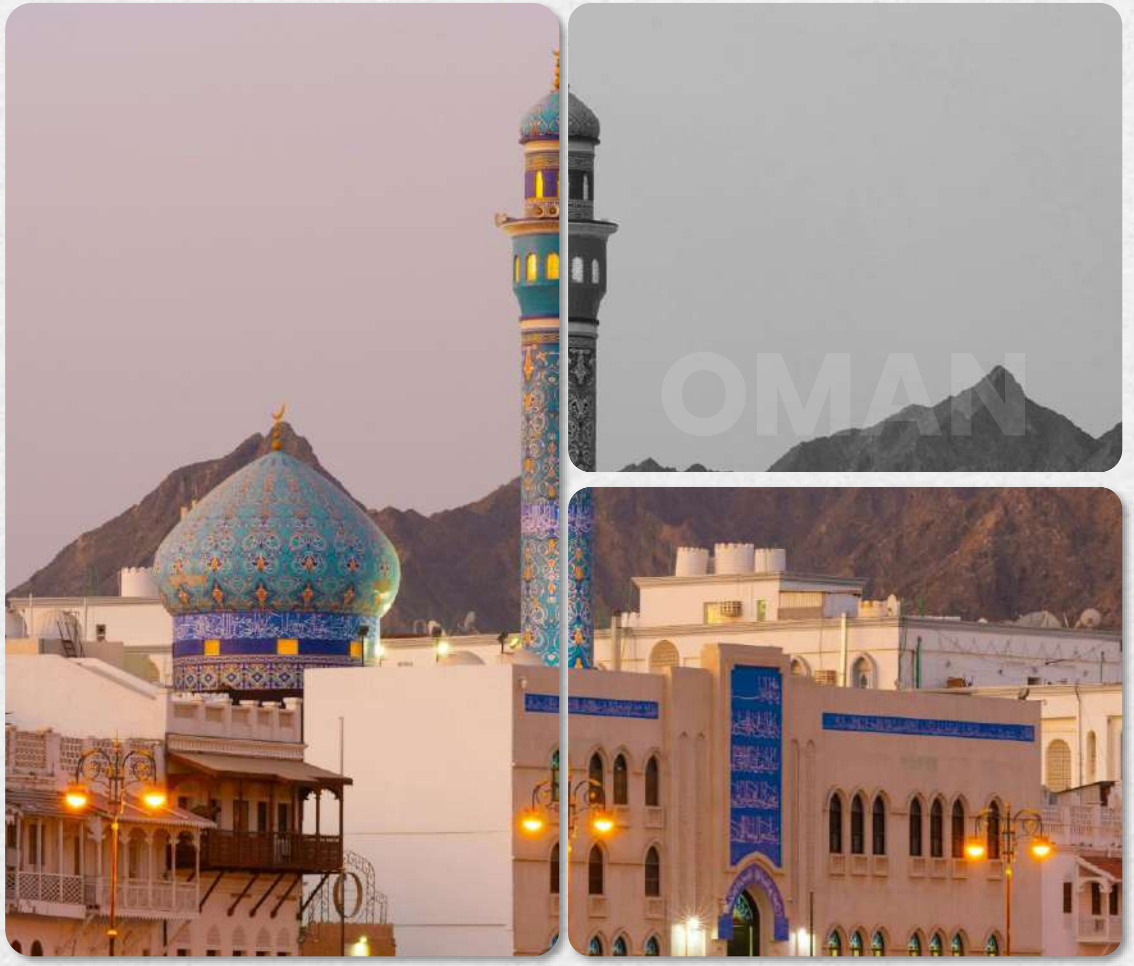
TAX TREATY UPDATES

Oman Approves Treaty With Luxembourg and Kazakhstan

On 3 June 2025, Luxembourg’s Council of State approved the Luxembourg–Oman income and capital tax treaty signed in 2024. This was followed by the approval of the treaty by the Luxembourg Chamber of Deputies on 25 June 2025, bringing it one step closer to ratification.

On 19 June 2025, Kazakhstan’s Ministry of Finance began the ratification process for the income and capital tax treaty signed with Oman on 29 May 2025. This move aligns with Oman’s broader strategy to strengthen its treaty network and reinforce international investment and tax cooperation



THE STATE OF QATAR

CORPORATE INCOME TAX

- Taxpayers Urged To Utilize The Financial Penalty Exemption Initiative
- GTA Extends Tax Certificate Validity Time Periods

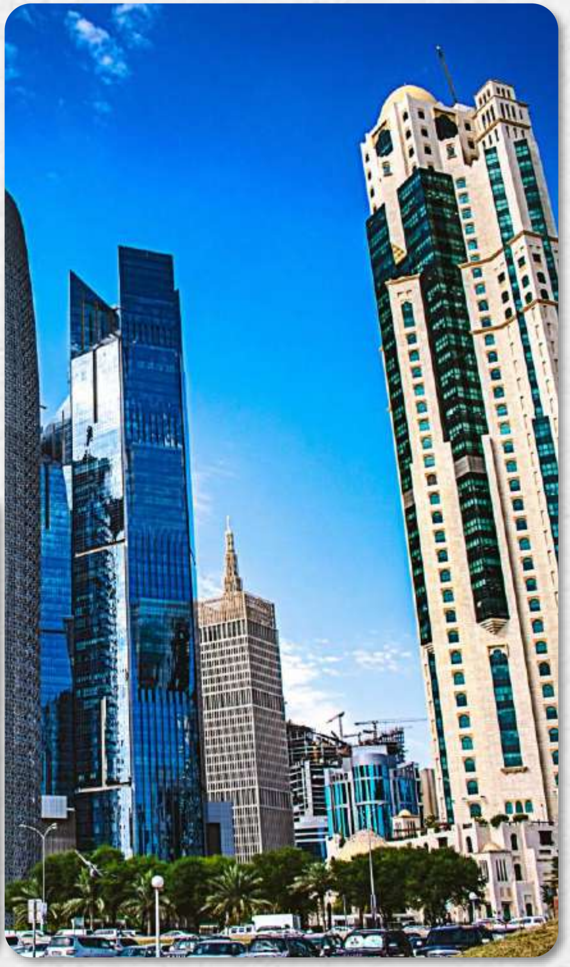
CORPORATE INCOME TAX

Taxpayers Urged To Utilize The Financial Penalty Exemption Initiative

The General Tax Authority (GTA) has announced the launch of a 100% financial penalty exemption initiative. Effective March 1, 2025, the initiative will run for six months, subject to the applicable rules and regulations.

The GTA emphasized that the initiative is designed to alleviate financial burdens on businesses while enabling them to rectify their tax compliance status. To qualify, companies must register on the Dhareeba Tax Portal and ensure that all taxpayer data is updated. They are also required to submit all necessary tax returns and financial statements in accordance with regulations and pledge to maintain full compliance over the next three years (2026, 2027, and 2028), by submitting returns and paying tax dues on time.

Throughout the initiative's duration, eligible businesses may apply for penalty exemptions through the Dhareeba Tax Portal. The GTA will assess applications on a case-by-case basis and communicate approval decisions directly through applicants' portal accounts. By introducing this initiative, the GTA aims to enhance transparency and improve service efficiency. The initiative will be valid for a period of 6 months, commencing from March 1 2025.



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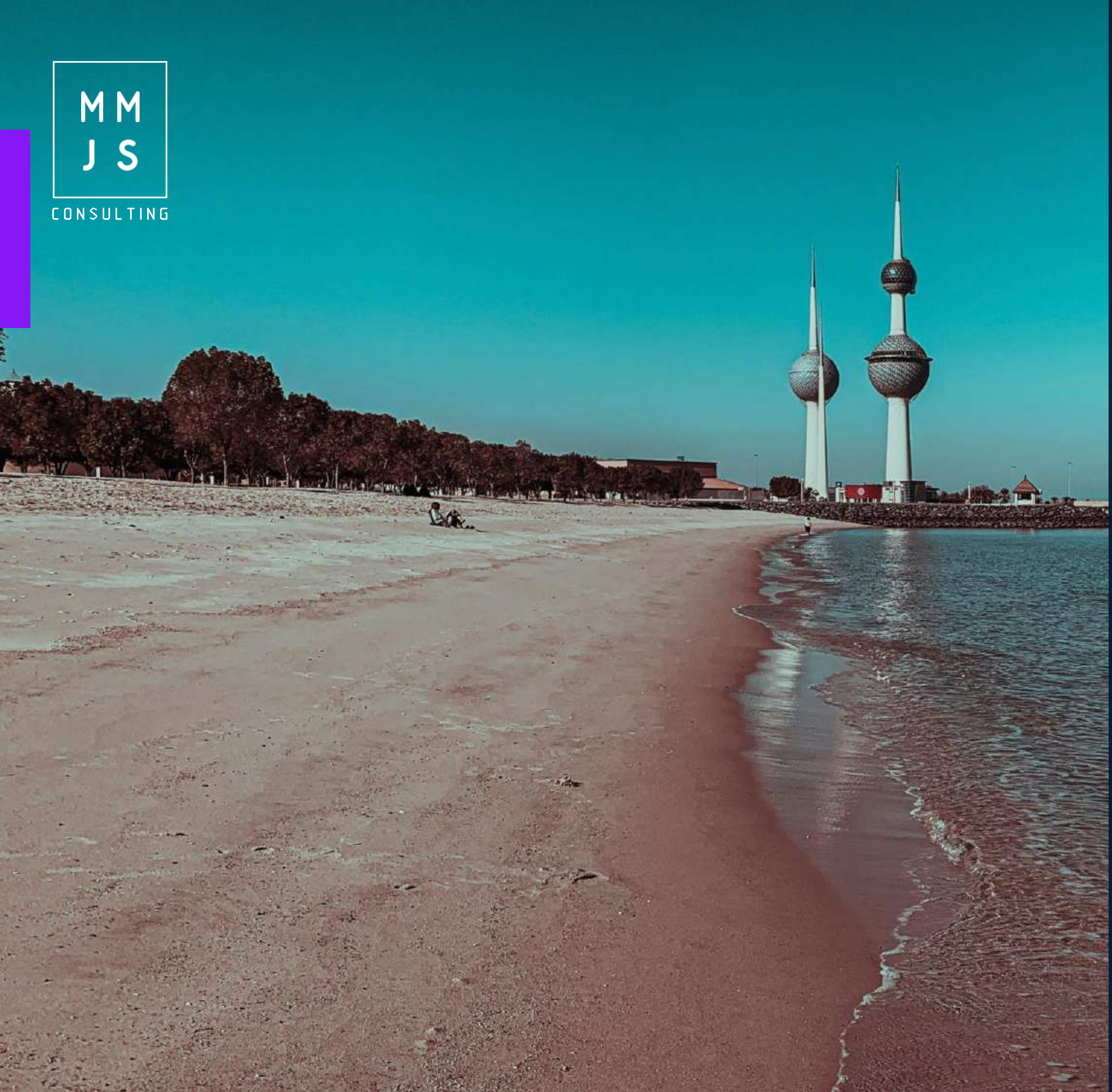
GTA Extends Tax Certificate Validity Time Periods

The GTA has extended the validity of several tax certificates to give taxpayers more time to complete required steps without needing to reapply. The Non-Objection Certificate for Change of Ownership is now valid for 180 days.

The Tax Compliance Certificate, which confirms a taxpayer has met all obligations, will now remain valid for one year instead of one month and can be issued directly through the Dhareeba portal.

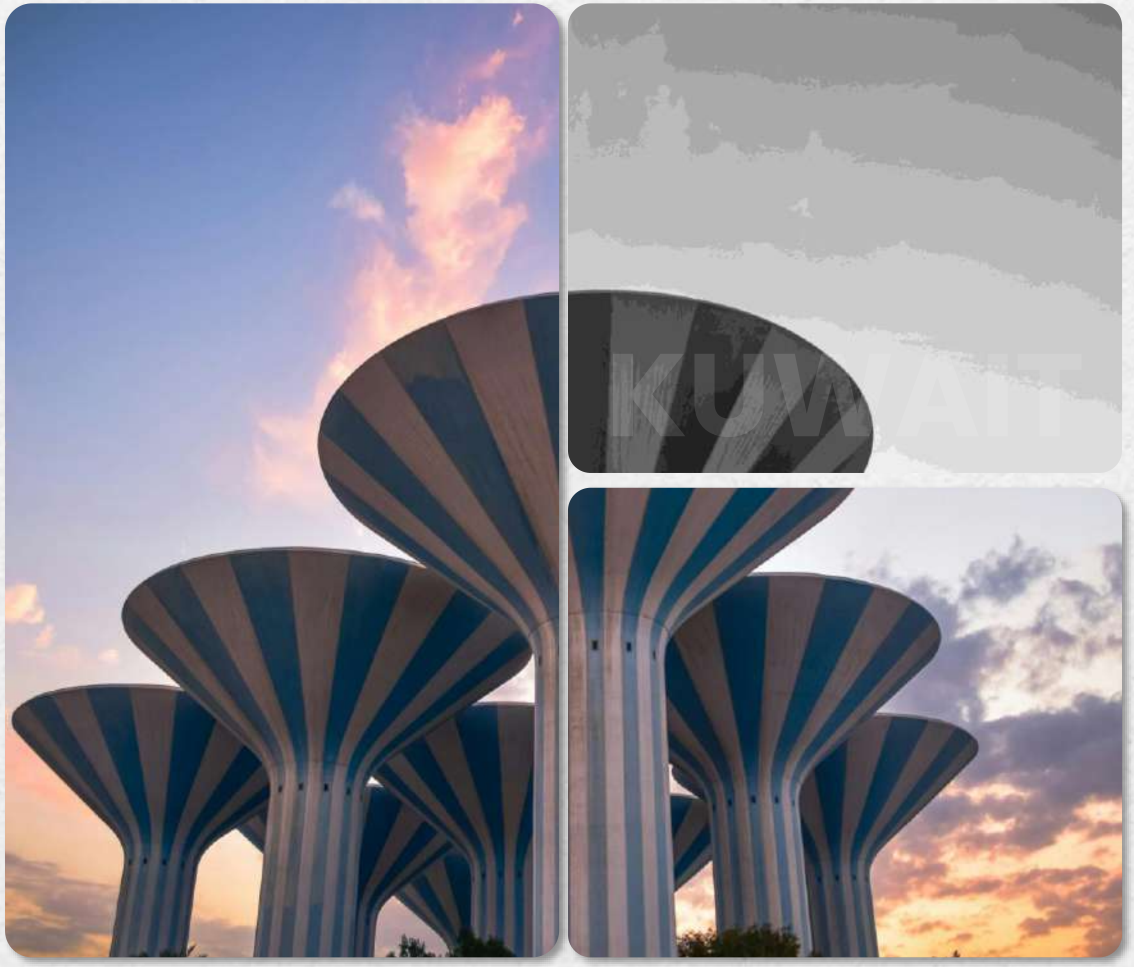
The NOC for Commercial Registration Cancellation and the Disbursement of Dues Certificate will now be valid for 90 days. These updates are designed to make tax processes more efficient and reduce unnecessary delays for individuals and businesses using the Dhareeba platform.



THE STATE OF KUWAIT

TAX TREATY

- Expansion of Tax Treaty Network



TAX TREATY

Expansion of Tax Treaty Network

On 1 June 2025, Kuwait and Qatar signed a new income tax treaty in Kuwait, marking a key step in strengthening regional tax cooperation.

On 4 June 2025, the Austria's Council of Ministers approved the signing of a protocol to amend the 2002 Austria–Kuwait income and capital tax treaty. The updated protocol was formally signed on 17 June 2025.

These updates highlight Kuwait's ongoing commitment to expanding and modernizing its international tax treaty framework.

KINGDOM OF SAUDI ARABIA

VALUE ADDED TAX

- Exemption Initiative Extended Till 31st December 2025
- Criteria For Selecting Taxpayers In 23rd Wave Of E-invoicing Determined

TAX TREATY

- Croatia Ratifies Tax Treaty With KSA
- DTAA Ratified Between KSA And Qatar

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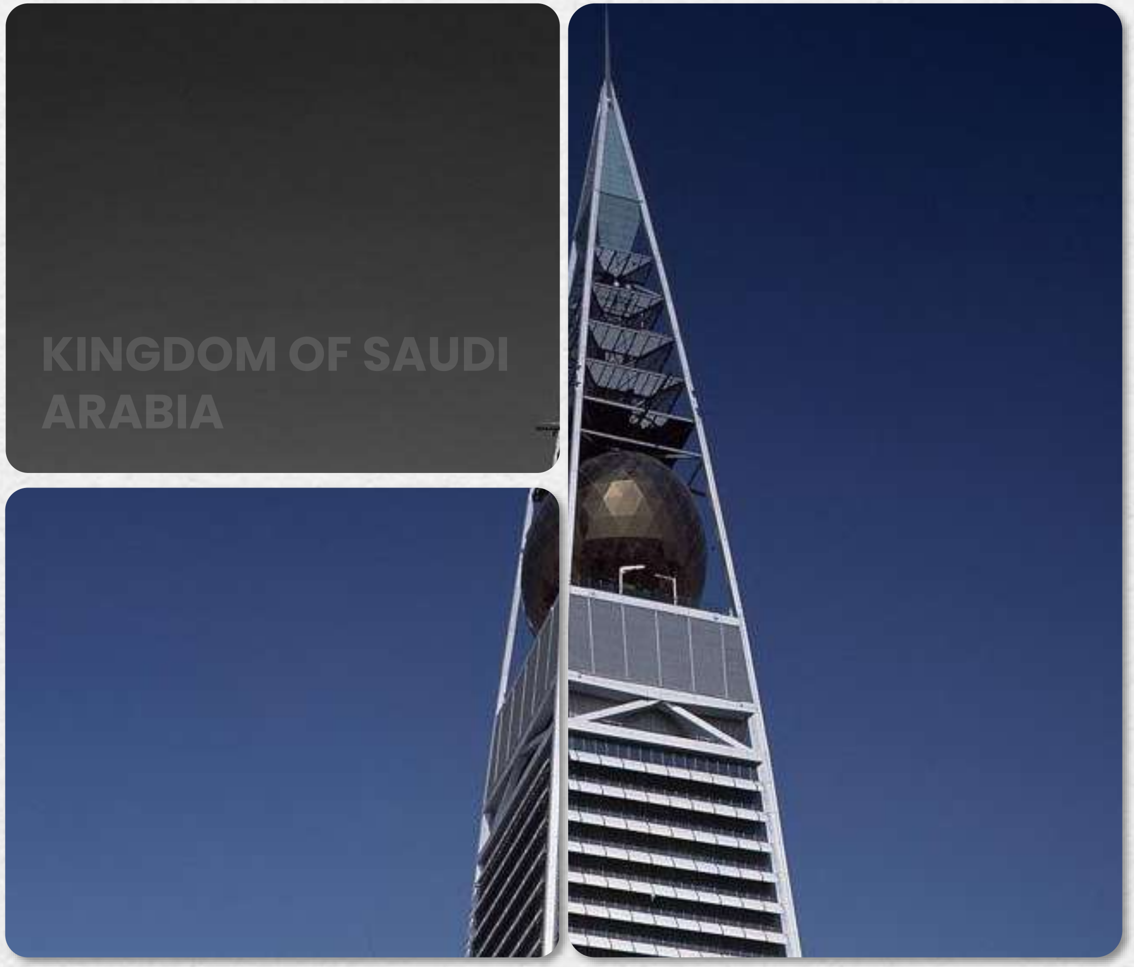
VAT

Exemption Initiative Extended Till 31st December 2025

The Zakat, Tax, and Customs Authority (ZATCA) has announced the Minister of Finance’s decision of the extension of the ‘Cancellation of Fines and Exemption of Financial Penalties Initiative’ for taxpayers subject to all tax laws for 6 months starting from 1 July 2025. Taxpayers are urged to leverage its “Cancellation of Fines and Exemption of Penalties Initiative” which ends on 31st December 2025. The scheme was Initially scheduled to expire on 31 December 2024 was extended till 30th June 2025 and has now been further extended until 31 December 2025. The highlights of the initiative includes exemption from unpaid fines including exemption from

- Fines resulting from late registration in all tax laws and regulations
- Delayed fine payments and overdue tax return submission fines VAT return correction penalty
- Fines for violation of VAT field detection and
- E invoicing based on Article 45 of the VAT law

ZATCA has invited taxpayers to view the initiative details in the simplified guideline that is available on its website. The Guideline includes a detailed explanation of the most important aspects of the decision, such as the types of penalties that are included in the decision, clarifying the conditions for benefiting from the exempt fines and the steps for installment financial dues, as well as introducing the field control violations.



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Criteria For Selecting Taxpayers In 23rd Wave Of E-Invoicing Determined

ZATCA has announced the criteria for selecting taxpayers included in the twenty third Wave of the E-invoicing Integration Phase. This wave covers all taxpayers whose VAT-subject revenues exceeded over SAR 750,000 from 2022, 2023 and 2024. ZATCA has confirmed that all taxpayers targeted in this wave will be officially notified and are required to integrate their E-invoicing systems with the Fatoora Platform by no later than 31 March 2026.

TAX TREATY

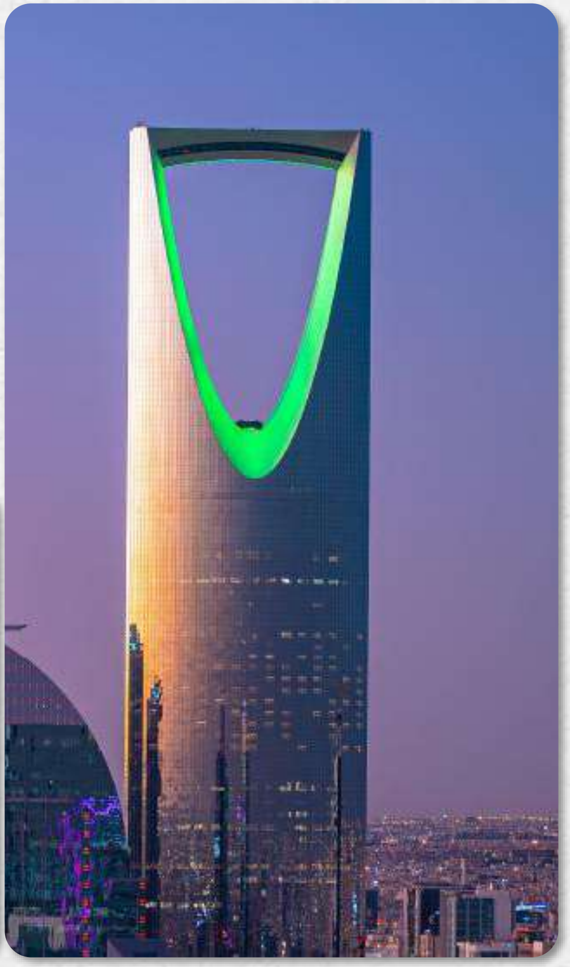
Croatia Ratifies Tax Treaty With KSA

Croatia published the law ratifying the income and capital tax treaty with Saudi Arabia in the Official Gazette on 16 June 2025. This treaty, initially signed on 4 December 2024, aims to eliminate double taxation and prevent tax evasion between the two countries. Following the government's approval, the draft law was forwarded to the Croatian Parliament for further review and ratification. The treaty is set to enter into force on 1 January 2026, following the exchange of ratification instruments.

DTAA Ratified Between KSA And Qatar

Qatar ratified the DTAA with Saudi Arabia, which was originally signed on 30 May 2024. The treaty will come into effect following the exchange of diplomatic notifications between the two countries.

KINGDOM OF SAUDI ARABIA



UNITED ARAB EMIRATES

VALUE ADDED TAX

- FTA Issues Public Clarification On Imports related to “Concerned Services”

CORPORATE TAX INCOME

- MOF Issued Cabinet Decision No. 34 of 2025
- Decision On CT Compliance Issued

TRANSFER PRICING

- Mutual Agreement Procedure Guidance Issued By MOF

TAX TREATY

- UAE And Russia Ratifies Tax Treaty

VAT

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FTA Issues Public Clarification On Imports related to “Concerned Services”

The FTA has issued Public Clarification VATP044, which provides detailed guidance on the VAT treatment of imported services referred to as “Concerned Services” under the reverse charge mechanism (RCM).

Concerned Services are services received from outside the UAE where the place of supply is in the UAE and the services would not be exempt from VAT if supplied locally. This clarification also introduces administrative relief from the self-invoicing requirement, while preserving the core obligations under UAE VAT law. The update clarifies obligations related to

- Accounting VAT output tax,
- Issuing self-invoices, and,
- Recovering input tax on such services.

Typically, recipients must issue a tax invoice to themselves for imported services. However, VATP044 introduces relief from this requirement, subject to specific conditions, including

- Obtaining invoice from overseas supplier
- Requirement of a document (or a combination thereof) instead of invoice. This document should contain names and addresses of supplier and recipient, service description, consideration, the date the document was issued, the date the service was rendered.
- The recipient accounts for correct VAT amount under the RCM (box 3)
- The recipient retains sufficient information to establish the particulars of such supplies.

The recipient would be eligible to recover input tax even if it did not issue a tax invoice to itself provided that it obtains and retains the invoice issued by the overseas supplier (or combination of documents that are effectively regarded to be such invoice). Please note that all other input tax recovery conditions must also be met in accordance with the provisions of UAE VAT law.

MMJS Comments:

The clarification provides huge relief to taxpayers importing services from outside the UAE. This is a welcome move by FTA and would significantly reduce the administrative burden on taxpayers by eliminating the general requirement for self-invoicing where adequate documents from the supplier exists. However, it is pertinent to note that this clarification applies only to import of concerned services and does not apply on import of concerned goods.

Should you need any assistance, please contact one of our professional tax advisors.

CORPORATE INCOME TAX

MOF Issued Cabinet Decision No. 34 of 2025

The Ministry of Finance (MoF) has recently issued Cabinet Decision No. 34 of 2025 (CD 34) which repeals and replaces earlier CD 81 relating to provisions for QIFs and REITs under UAE CT Law. Further, CD 34 also introduces the concept of and pass-through taxation regime for Qualifying Limited Partnerships (QLP). The amended Cabinet Decision is applicable for tax period commencing on or after 1 January 2025. Key topics outlined are

- Article 1 – Definitions
- Article 2 - Conditions for exemption of QIF from Corporate Tax
- Article 3 – Taxability of investor income from a QIF
- Article 4 – Conditions for exemption of a REIT from Corporate Tax; and taxability of investor income from a REIT
- Article 5 – Qualifying Limited Partnership (QLP)
- Article 6 – Unincorporated Partnerships

MMJS Comments:

The Ministerial Decision provides a detailed explanation on the amendments. Affected businesses are requested to familiarize themselves with the amendments to ensure compliance with law.

Should you need any assistance, please contact one of our professional tax advisors.

Decision On CT Compliance Issued

The FTA has recently issued Decision No. 5 of 2025 (new FTA Decision) updating the tax compliance requirements for Unincorporated Partnerships (UIPs), Foreign Partnerships and Family Foundations under Federal Decree-Law No. 47 of 2022 (UAE Corporate Tax Law). The said FTA Decision is effective from 1 July 2025.

This new FTA Decision repeals earlier Decision No. 16 of 2023 issued by the FTA, which addressed the registration requirements for UIPs and the determination of distributive shares of partners in such UIPs.

TRANSFER PRICING

Mutual Agreement Procedure Guidance Issued By MOF

The UAE Ministry of Finance (MoF) has issued official guidance on the Mutual Agreement Procedure (MAP), reinforcing the UAE's commitment to global tax standards and aligning domestic tax laws with international frameworks. Grounded in Article 25 of the OECD Model Tax Convention, Article 34(11) of the UAE Corporate Tax Law, and guided by the OECD's Manual on Effective Mutual Agreement Procedures, the MAP framework provides a clear and structured mechanism for resolving economic double taxation under the UAE's network of double tax treaties (tax treaties).

The Mutual Agreement Procedure ('MAP') is a process by which the United Arab Emirates ('UAE') and other contracting states in Double Tax Agreements ('DTA') seek to resolve international tax disputes, which result, or will result in taxation, that is not in accordance with the DTA. A MAP may also be sought where there is an issue of interpretation or application of the relevant DTA and where double taxation arises for cases not provided for in the relevant DTA. The purpose of this guidance is to outline to taxpayers the below

- Importance and Application
- Information required for MAP Claim
- MAP coverage for years prior to UAE Corporate Tax implementation
- Cases fit for MAP and application timeline

MMJS Comments:

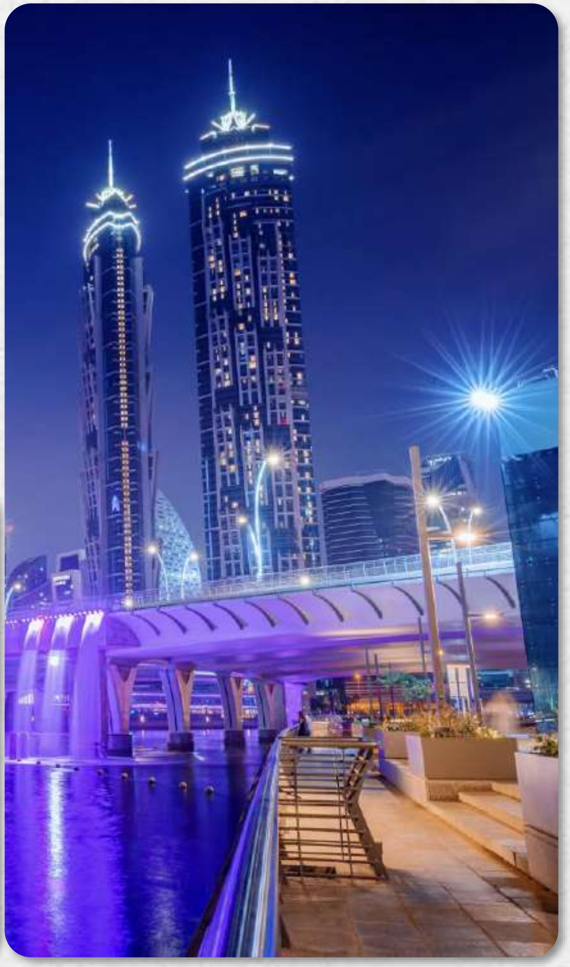
Businesses facing potential double taxation or tax treaty-related disputes should assess their position under the MAP framework and engage early with the UAE CA.

Should you need any assistance, please contact one of our professional tax advisors.

TAX TREATY

UAE And Russia Ratifies Tax Treaty

On 24 June 2025, the Russian State Duma approved the ratification of the Russia–UAE Income and Capital Tax Treaty in its third reading. The new treaty, initially signed on 17 February 2025 in Abu Dhabi, is set to replace the 2011 agreement (which previously only applied to state-owned investment funds) with a more comprehensive framework covering individuals and businesses. The Treaty is expected to become effective on 1 January 2026, with the 2011 Treaty ceasing upon its entry into force.



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