MENA Bi-Annual Tax Update

January 2026 – June 2026

Explore key MENA tax developments from January–June 2026, including corporate tax, VAT, e-invoicing, DMTT and compliance changes affecting businesses.

In brief

We are pleased to present our MENA Bi-Annual Tax Update covering the period from January 2026 to June 2026, which provides an overview of selected latest tax developments across the MENA region.

This update aims to keep you informed about key tax updates that may impact your business operations and to raise awareness of the evolving tax landscape. We note for completeness, across the region, there were no significant standalone transfer pricing legislative updates during the period, with developments primarily linked to Pillar Two implementation (notably the Bahrain DMTT Transfer Pricing Guide).

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Overview

Direct tax

UAE

- **Corporate Tax (CT) –** On 9 February 2026, the UAE Ministry of Finance announced the issuance of Cabinet Decision No. 1 of 2026 (**available here**) on Exempting Certain Sports Entities from Corporate Tax for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses. The decision establishes the conditions under which International Sports Entities, Sports Entities and Ancillary Entities may qualify as Exempt Persons for Corporate Tax pursuant to Article 4(1)(i) of the Corporate Tax Law. Importantly, the Decision applies retrospectively from 1 June 2023, aligning with the effective date of the UAE Corporate Tax regime.
- **CT/Domestic Minimum Top Up Tax (DMTT) –** On 18 March 2026, the UAE Ministry of Finance has announced the launch of phase 1 of the Research and Development (R&D) Tax Credit program through Ministerial Decision No. 24 of 2026 (**available here**). The program was introduced under Cabinet Decision No. 215 of 2025 (**available here**) and is effective for tax periods beginning on or after 1 January 2026.

  Under this regime the R&D tax credit, which is currently capped at AED 2 million per tax period (subject to satisfying certain conditions, is available to UAE juridical persons (including Free Zone persons) as well as foreign entities with a permanent establishment in the UAE, provided they are subject to UAE Corporate Tax or the UAE DMTT. The credit, which depends on the level of qualifying R&D expenditure and the amount of R&D staff in the UAE, is currently non-refundable and can be used first to offset UAE Corporate Tax liabilities and then any Top-up Tax liabilities (if relevant), with the possibility to carry forward or transfer unused credits subject to applicable conditions.

  In order to benefit from the credit, a number of conditions must be met, including (but not limited to):

  - To be eligible for the credit the activities meet internationally recognised criteria for R&D, as interpreted by reference to the OECD Frascati Manual (i.e., qualifying activities must be novel, creative, uncertain, systematic, and capable of being transferred or reproduced).
  - Qualifying costs must be wholly and exclusively incurred for eligible R&D activities, must generally be deductible for corporate tax purposes, and must not benefit from other incentives or be funded by grants. Qualifying costs include staff

costs, consumables, subcontracting costs, certain cost contribution arrangement charges, and capitalised costs relating to internally generated intangibles. In addition, it should be noted that a minimum project-level expenditure threshold of AED 500,000 applies.

- From a procedural perspective, in-scope entities must meet the requirement to obtain pre-approval for each qualifying R&D project from the Emirates Research and Development Council. Once approved, credit claims must be substantiated and submitted as part of the annual corporate tax return.

- **CT –** On 29 April 2026, the FTA issued Public Clarification CTP010 – Clarification of director and officer (**available here**), addressing the treatment of directors and officers for UAE CT purposes, and specifically in connection to the provision of Article 36 on Payments to Connected Persons. Importantly, classifying an individual as a director or officer can make them a Connected Person for the purposes of Article 36 and any payments or benefits to Connected Persons are deductible for UAE CT purposes (where such transactions are aligned with market value and are incurred wholly and exclusively for business purposes). It should be noted that a disclosure of such transactions is required in the Connected Persons Disclosure Form, which is part of the annual Corporate Tax Return, where total payments exceed AED 500,000.

  The provisions of this clarification retroactively apply from the date of implementation of the UAE CT legislation (i.e., from 1 June 2023). The key takeaways of the clarification are as follows:

  - A Director has been clarified as being a person formally appointed to the Board of Directors (or an equivalent governing body, such as a board of trustees or governors). This includes executive, non-executive, temporary, permanent or alternate directors, as well as members of board committees. The mere use of "director" in a job title does not, by itself, make an individual a director for the purpose of Article 36 of the UAE CT Law.

  - An officer is defined as being a person with authority over strategic decision-making (financial, operational or commercial). The framework aligns with International Accounting Standards 24 (on Related Party Disclosures), and may capture C-suite roles including CEO, CFO, COO, GM or other individuals with ultimate decision-making authority. As for the directors, it should be noted that titles alone are not determinative.

- **CT –** On 10 June 2026, the FTA published an updated edition of its Corporate Tax Guide on the Taxation of Family Foundations CTGFF1 (available here), replacing the May 2025 first edition.

  Our update available here provides more details on the updated Guide.

  DMTT – On May 2026, the UAE FTA has launched the Pillar Two Top-up Tax registration service on the EmaraTax portal. While registration deadlines have not yet been announced, the UAE DMTT framework provides that the first DMTT return (i.e., covering the DMTT period ending 31 December 2025) is required to be submitted by 30 June 2027.

Qatar

- **CT –** On 1 March 2026, Qatar's Council of Ministers has introduced a CT-neutral restructuring regime through Decision No. (3) of 2026 on the Tax Benefit Associated with Capital Gains Arising from Corporate Restructuring (**available here**). Under this new regime, any capital gains or losses arising from intra-group transfers or asset exchanges by Qatari legal persons and capital gains realised by resident natural persons are not recognised for Qatar CT purposes provided the transactions qualify under the restructuring rules and meet prescribed criteria. Such criteria include (but are not limited to):

  - Both the transferring and receiving entities must be Qatar resident and governed by the Income Tax Law No. 24 of 2018.

  - They must have maintained a group affiliation or related-party relationship for at least 12 months prior to the transaction.

  - The restructuring must serve a genuine commercial or economic purpose.

  - A direct or indirect ownership threshold of at least 75% is required between the entities involved.

  - Certain compliance obligations must be satisfied, including (but not limited to) a 2-year period during which the parties to the transaction must remain related parties for the purposes of the Income Tax Law and the obligation to submit an application to the General Tax Authority (GTA).

- **CT –** On 15 March 2026, Cabinet Decision No. (4) of 2026 was published in the Official Gazette amending Qatar Cabinet Decision No. 39/2019 Issuing the Implementing Regulation to the Income Tax Law Promulgated by Qatar Law No. 24/2018 (amended Executive Regulation **available here**).

Notably, these amendments introduced a new Trusted Entity regime, under which qualifying Qatari entities may now apply withholding tax (WHT) relief directly at source for payments to non-residents, in accordance with relevant double tax treaties, rather than using the pay and reclaim/refund-approach. In order to benefit from this regime, applicants must be tax registered, demonstrate sufficient administrative, technical, human, and financial capacity, and satisfy thresholds related to the volume of WHT transactions in the previous tax year, as specified by the GTA (decision yet to be published). Once granted Trusted Entities may withhold tax based on treaty rates directly at the time of payment for a period of three years (subject to renewal and revocation in case of non-compliance with the applicable ongoing obligations).

- **DMTT –** On 12 February 2026, the Council of Ministers issued Resolution of the Council of Ministers No. (2) of 2026 Issuing the Rules for the Application of the Global and Domestic Minimum Taxes (**available here**) that amends the Executive Regulations to provide detailed guidance to taxpayers on applying the Income Inclusion Rule (IIR) and DMTT. This developments follows the implementation of the Qatar DMTT in March 2025 (**our update available here** provides more details on the implementation of the Qatar DMTT).

Bahrain

- **DMTT –** In June 2026, the National Bureau for Revenue (NBR) published the first version of the DMTT Transfer Pricing Guide (**available here**), following the implementation of a DMTT in 2025 (**our update available here** provides more details on the implementation of the Bahrain DMTT). This guide provides more clarity and general guidance on the application of the Transfer Pricing (TP) regime for Bahrain DMTT purposes, and is broadly aligned with the approach taken in the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations dated 2022.

Kuwait

DMTT – In March 2026, the Kuwait Ministry of Finance issued the State Budget Executive Regulations for the Financial Year 2026/27, which provided certain clarifications on the application of the 5% tax retention regime following the introduction of the DMTT under Decree-Law No.157 of 2024. Specifically, the State Budget Executive Regulations clarify that entities that are registered for the DMTT framework in Kuwait are not subject to the retention obligations (subject to obtaining a valid tax card).

In addition, the State Budget Executive Regulations prohibit the inclusion of a tax gross-up clause in government contracts and introduce a five-year limitation period, after which any unclaimed retained amounts must be transferred to the Ministry of Finance.

Indirect tax

UAE

- **Value Added Tax (VAT) –** The UAE Ministry of Finance (MoF) published two Federal Decree-Law No. 16 and 17 of 2025, amending both the UAE VAT Law and Tax Procedures Law (TPL), effective from 1 January 2026. Both amendments materially reshape the VAT refund procedure, compliance timelines and statute limitation as well as the FTA powers.

  Our update available here provides more details on these amendments.

- **VAT –** In January 2026, the FTA published the Profit Margin Scheme (PMS) Guide – VATGPM1 (**available here**). It offers greater clarity on eligibility criteria, calculation mechanisms and invoicing, record keeping and filing obligations. The key-takeaways are as follows:

  - The PMS is optional and applies only to specific categories of goods, namely second-hand goods, antiques that are more than 50 years old, collectors' items, and certain assets for which input VAT recovery was restricted under Article 53 of the Executive Regulations. It may be applied where the goods are acquired from non-VAT registered persons or from VAT-registered suppliers who themselves applied the PMS. The scheme can also apply to qualifying imported goods, subject to applicable conditions.

  - Where the PMS is applied, VAT is calculated on the profit margin, being the difference between the selling price and the purchase price of the goods. VAT is treated as included within that margin, rather than charged separately. If the goods are sold at a loss or at cost, no VAT is payable, and any losses cannot be offset against profits arising from other transactions.

  - Businesses applying the PMS must maintain detailed records evidencing the eligibility of the goods, the purchase and selling prices, and the correct calculation of the profit margin. Additionally, all invoices issued under the PMS must clearly indicate that the PMS has been applied and must not separately disclose VAT. It should be noted that the relevant figures must also be correctly reported in the VAT returns, consistent with the PMS mechanics.

- **VAT –** On 23 February 2026, the UAE MoF issued three key documents to support the national rollout of the federal E-Invoicing system, along with an update on the Pre-Approved eInvoicing Service Providers list (**available here**), including:
    - UAE Electronic Invoicing Guidelines, which were later updated on 1 June 2026 (**available here**). **Our update available here** provide more details on these guidelines.
    - Guidance on Considerations for Selecting an Accredited Service Provider (ASP) (**available here**), which highlights several factors businesses should consider when choosing a provider, including prior e-invoicing experience, control over platform technology, resource planning and accounting system integration, data protection and security certifications, service levels and customer support frameworks, pricing structure, scalability, and future proofing.
    - Guidance on UAE Electronic Invoice Mandatory Fields (**available here**) which establishes the minimum data requirements for compliant electronic invoices, covering invoice-level details, seller and buyer identifiers, itemized line-level particulars, breakdowns, and invoice totals.
- **VAT –** The UAE MoF published Ministerial Decision No. 66 of 2026 Amending certain provisions of Ministerial Decision No. 244 of 2025 on the Implementation of the Electronic Invoicing System (**available here**) which has extended the deadline for businesses with annual revenues exceeding Dh50 million to appoint an ASP under the UAE e-invoicing system from 31 July 2026 to 30 October 2026.

KSA

- **VAT –** The KSA has approved amendments to the Unified VAT Agreement for the Gulf Cooperation Council (GCC VAT Framework) under Council of Ministers Resolution No. 887 dated 19 May 2026. The amendments update key provisions of the original GCC VAT Framework signed on 27 November 2016. The amendments relate to intra-GCC supplies, supplies to non-registered persons, import VAT, VAT rate flexibility, and information sharing between tax authorities. Together, these changes give Member States greater administrative flexibility while strengthening the framework for cross-border VAT coordination within the region.

  Our update available here provides more details on the approved amendments.

Qatar

- **VAT –** On 6 May 2026, the Qatar Cabinet has reportedly approved a draft e-invoicing law and its executive regulations, although technical details are still pending. While we note that currently, Qatar has not implemented any VAT framework, this approval along with the fact that Qatar is a signatory to the GCC VAT framework appears to be setting the stage for the introduction of a formal VAT and electronic invoicing regime.

Oman

- **VAT –** The Oman Tax Authority (OTA) announced the official launch of the Fawtara mandatory VAT e-invoicing regime through a phased rollout. As part of the announcement, the OTA open the Fawtara service portal and released a section dedicated to the E-Invoicing program on their official website, which includes FAQs, video guidance and rollout checking service (available here). It is expected that the OTA will used this section to release further guidance and information in the upcoming months.

  While the pilot phase, beginning August 2026, will only apply to large taxpayers chosen by the OTA, key dates for the subsequent phases have not yet been announced. Once effective, the framework will require taxpayers within scope to issue compliant electronic tax invoices through the national platform, replacing paper and conventional electronic invoices.

Egypt

- **VAT –** In May 2026, the Egyptian Tax Authority (ETA) issued the Fourth Edition of Executive Instructions No. 90 of 2021 (available here in Arabic), consolidating the procedural rules governing VAT refund claims. The key takeaways of the new release are as follows:
    - The verification system is now fully electronic to ensure accuracy of VAT refund process.
    - The ETA initial review period has been reduced to two working days.

- Applicants have a maximum of 10 working days to provide missing documents after being notified by the refund department.
- VAT refund departments should adhere to new target processing period, ensuring to complete refund applications in less than 20 days instead of 45 days previously.

- **VAT –** On 23 June 2026, Egypt's House of Representatives approved amendments to the VAT Law No. 67 of 2016, introducing targeted VAT measures for healthcare and manufacturing sectors. The amendments reduce the VAT rate applicable to medical devices from 14% to 5%, exempt kidney dialysis machines as well as their related inputs and components from VAT and extend from two to four years the VAT suspension period for machinery and equipment used in industrial production. Additionally, it grants a right to deduct input VAT on locally manufactured machinery, equipment and medical devices. Finally, the refund period for credit balances is reduced to four consecutive tax periods instead of six years.

Tax procedures

UAE

- **Procedure –** On 23 February 2026, the FTA published the FTA Decision No. 2 of 2026, effective from 1 March 2026, amending the provisions of FTA Decision No. 5 of 2021 on The Authority’s Policy on Issuing Clarifications and Directives (amended Decision **available here**), which defines the processes and mechanisms for the issuance of Private Clarifications, Administrative Exceptions, Input Tax Apportionment and Tax Transaction Directives.
- **Procedure –** In March 2026, the UAE Federal Tax Authority published Cabinet Decision No.17 of 2026 (**available here**) effective from 1 April 2026, amending Cabinet Decision No. 74 of 2023 governing the Tax Procedures Executive Regulations. The amendments to the Tax Procedures Executive Regulations were introduced following the amendments to the Tax Procedures Law published in November 2025 and effective from 1 January 2026 (**our update available here**). The key amendments include (but are not limited to):
  - Extension of the mandatory retention period by two years for records associated with tax or credit-balance refund applications that remain unresolved.
  - For incorrect refund applications arising from an incorrect tax return or tax assessment, tax difference exceeding AED 10,000 must be rectified through a voluntary disclosure submitted within 20 business days. On the other hand, where the amount is AED 10,000 or less, the error may be corrected in the next eligible tax return, or by way of a voluntary disclosure where no subsequent return is available.
  - The updated refund procedures explicitly apply to all credit balances in favour of taxpayers, not just formal tax refunds.
  - New provisions also permit the extension of retention or seizure of documents and assets for audit purposes, subject to notification where practicable.
- **Procedure –** Effective 16 April 2026, amendments to the UAE tax penalty framework have come into force under the Tax Procedures Law and its Executive Regulations. The revised regime applies across the applicable Taxes in the UAE and introduces a more structured and proportionate approach to administrative penalties. It clarifies the treatment of errors, voluntary disclosures and refund claims, and provides greater flexibility for correcting lower value discrepancies. Businesses should review their compliance processes across all tax types to ensure alignment and mitigate potential penalty exposure.

KSA

- **International Tax Information Exchange –** On 14 April 2026, the United States of America and the Kingdom of Saudi Arabia signed a Tax Information Exchange Agreement (Saudi–US TIEA) in Washington, DC, establishing a formal framework for cooperation and tax information sharing between the US Internal Revenue Service (IRS) and Saudi Arabia’s Zakat, Tax and Customs Authority (ZATCA).

  Our update available here provides more details on the Saudi-US TIEA.

Contact us

Tina Hsieh
Partner
tina.hsieh
@bakermckenzie.com

Ben Phillips
Counsel
ben.phillips
@bakermckenzie.com

Jacopo Crivellaro
Counsel
jacopo.n.crivellaro
@bakermckenzie.com

Folkert Mulder
Legal Director
folkert.mulder
@bakermckenzie.com

Yasmeen Bader
Associate
yasmeen.bader
@bakermckenzie.com

Noor El-Gohary
Associate
noor.el-gohary
@bakermckenzie.com

*Volodia Gire, Trainee Associate, has contributed to this legal update.

Baker McKenzie.