

## MENA: Quarterly Tax Update | July 2026 – September 2026

Quarterly update on key MENA tax developments from July-September 2026, covering CT, VAT, DMTT, and major tax reforms.

### In brief

We are pleased to present our Quarterly Tax Update, which provides a comprehensive overview of the latest tax developments in the MENA region from July to September 2026. This update highlights the key tax developments across the MENA region during the third quarter of 2026 and outlines the practical implications for businesses operating in the region.

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### Overview

#### Direct tax

##### UAE

- **Corporate Tax (CT)** – On 9 July 2026, the UAE Federal Tax Authority (FTA) released the Corporate Tax Summary of FTA Private Clarifications issued up to May 2026 ([available here](#)), summarizing the FTA's answers to key corporate tax questions raised by taxpayers as part of the private clarification process. The document provides valuable insight into the FTA's practical approach to a range of corporate tax issues, including the exemption and QFZP regimes, permanent establishments, partnerships, foundations, taxable income, deductions and compliance obligations.
- **CT** – On 14 July 2026, the FTA published FTA Decision No. 6 of 2026 Determining the Additional Procedures for the Compliance of QFZP ([available here](#)). Under the Decision, QFZPs carrying on the qualifying activity of distributing goods or materials in or from a Designated Zone are now required to obtain an agreed upon procedures report from an independent UAE licensed auditor. Such report must follow ISRS 4400 standards and clearly evidence the reseller status of the QFZPs' customers and that the importation was actually undertaken through a Designated Zone.

Specifically, the Decision includes the following key provisions:

- Relevant evidence that must be collected by the QFZP to facilitate the production of the report may include customer licences, customer confirmations, sales agreements, invoices, purchase orders, customs declarations and shipping documents.
- The report must be submitted to the FTA no later than 30 days after the corporate tax return filing deadline for the relevant tax period, unless the FTA specifies another date.
- Failure to submit the report means the relevant qualifying conditions are not treated as satisfied, consequently, the QFZP may be disqualified from the QFZP regime.
- The Decision applies retrospectively to tax periods beginning on or after 1 January 2026.

The report is intended to provide factual findings on whether the customer is a reseller and, for goods imported into the UAE, whether the relevant importation occurred through a Designated Zone. The independent auditor does not provide an assurance opinion and instead, only performs agreed procedures and reports the factual results. It should be noted that the QFZP remains responsible for demonstrating that the qualifying activity conditions are met.

Affected taxpayers should assess whether the new reporting requirement applies to them and, where relevant, engage an independent UAE licensed auditor sufficiently in advance of the filing deadline. Businesses should also review their existing processes to ensure the required evidence is collected and retained throughout the year.

- **CT** – On 15 July 2026, the FTA issued the Public Clarification on Downward adjustments made by a Taxable Person in the Tax Return to comply with the Corporate Tax Law (CTP011) ([available here](#)). In accordance with the UAE transfer pricing regulations (embedded within the CT framework), a Taxable Person must make appropriate transfer pricing adjustments (either upward or downward) in its annual Tax Return where transactions or arrangements with its Related Parties are not recorded at arm's length in the Financial Statements.

CTP011 clarifies that for downward adjustments (i.e., adjustments resulting in the decrease of the Related Parties transactions' value reported in the Tax Return), taxpayers making downward adjustments should ensure they have appropriate supporting documentation, including:

- The rationale for making downward adjustments in the Tax Return
  - Arm's length analysis, including benchmarking study supporting the adjustment
  - Reconciliation between the values recorded in the Financial Statements and the arm's length values disclosed in the Tax Return
  - Symmetrical corresponding adjustments by the relevant Related Parties to the transactions and arrangements.
- **CT** – On 29 July 2026, the UAE Ministry of Finance (MoF) issued Ministerial Decision No. 131 of 2026 ([available here](#)) extending the period during which the Small Business Relief revenue threshold (i.e., annual revenue must be AED 3 million or less in the current tax period and all previous tax periods starting from 1 June 2023) applies. The threshold, which was originally available for tax periods ending on or before 31 December 2026, now continues to apply to subsequent tax periods ending on or before 31 December 2029.

Businesses that are eligible for Small Business Relief should continue monitoring revenues carefully and maintain appropriate records to support eligibility, particularly where revenues are approaching the AED 3 million threshold.

- **Domestic Minimum Top-up Tax (DMTT)** – In July 2026, the FTA has launched the Pillar Two Top-up Tax registration application on the EmaraTax portal. The application offers two routes: registration by a Domestic Designated Filing Entity (DDFE), or individual entity registration where the group has no designated DDFE. The DDFE route centralizes the UAE domestic group's registration, return filing and payment obligations in one UAE Constituent Entity. The application therefore requires groups to settle the UAE filing model before submission and assemble consistent information for the wider MNE Group, the filing entity and all UAE entities in the relevant domestic group.

Subsequently, on 04 August 2026, the FTA issued FTA Decision No. 12 of 2026 ([available here](#)), which supplements the introduction of the registration application form, by specifying the registration timelines for in-scope entities. Broadly, registration requirements are as follows:

- In-scope entities must generally apply within seven months after the end of the first fiscal year in which they are subject to the UAE Top-up Tax.
- Entities whose first in-scope fiscal year ended before 30 April 2026 must register by 30 November 2026.
- An entity that ceases to be in scope must generally submit an out of scope notification within six months after the end of the tested fiscal year.
- An entity re-entering scope must generally submit an in-scope notification within seven months after the end of the tested fiscal year.
- Deregistration is generally required within six months after cessation or leaving the MNE Group and falling outside the rules, once liabilities, penalties and filing obligations are settled.

MNE groups with a presence in the UAE should promptly assess whether they fall within the scope of the UAE DMTT rules and, where applicable, begin gathering the information required for registration on the EmaraTax portal. Entities whose first in-scope fiscal year ended before 30 April 2026 (e.g., entities with their latest fiscal year ending on 31 December 2025) should ensure their registration application is submitted by 30 November 2026.

- **DMTT** – On 26 August 2026, the FTA published the Scope and Registration Guide (TTGREG1) ([available here](#)) and the Excluded Entities and Investment Entities Guide (TTGEIE1) ([available here](#)). The key takeaways of the guides are as follows:
  - TTGREG1 clarifies the scope of the UAE QDMTT rules, entities required to register, the DDFE and entity by entity routes, the treatment of UAE based Constituent Entities and Joint Ventures, registration deadlines, the EmaraTax registration process and supporting documents.

- TTGEIE1 outlines the categories of primary and secondary excluded entities, investment entities and the practical effect of those classifications. Specifically, TTGEIE1 addresses entities that may be outside the ordinary GloBE charging framework, including Governmental Entities, International Organisations, Non-profit Organisations, Pension Funds, Investment Funds and Real Estate Investment Vehicles that are Ultimate Parent Entities (together with specified entities owned by them). It also discusses the treatment of Investment Entities and Insurance Investment Entities, whose status may affect the calculation and allocation of Top-up Tax.
- **Foundations** – On 11 September 2026, the Dubai Multi Commodities Centre (DMCC) has introduced the Foundations Regulations 2026 ([available here](#)), becoming the fourth jurisdiction in the UAE to establish a dedicated foundation regime, following the Abu Dhabi Global Market (ADGM), Dubai International Financial Centre (DIFC) and Ras Al Khaimah International Corporate Centre (RAK ICC). A DMCC Foundation is a separate legal entity capable of holding title to assets independently from its Founder, Councillors and other stakeholders.

While further guidance is expected to be released shortly, the DMCC Foundations Regulations include a number of features that are broadly consistent with the foundation regimes available in other UAE jurisdictions. These include the ability for the Founder to reserve powers in relation to the Foundation, a governance framework based on a Council comprising at least two Councillors, and a Guardian, whose appointment is optional during the Founder's lifetime but becomes mandatory following the Founder's passing.

## Qatar

- **DMTT** – On 2 August 2026, the General Tax Authority (GTA) has launched the Global and DMTT registration service through the online Dhareeba platform. In-scope MNE groups (i.e., groups with consolidated annual revenue of EUR 750 million or more in at least two of the four fiscal years preceding the tested fiscal year) are invited to complete initial registration within three months from activation of the service. The registration captures core group information, the Ultimate Parent Entity and the local entities subject to Pillar Two. In addition, where a group has more than one entity in Qatar, one local entity must be designated as the primary point of contact.

As an immediate next step, groups with a presence in Qatar should assess their Pillar Two status, designate a Qatar point of contact where required, and, where applicable, complete the Dhareeba registration process within the prescribed timeframe.

- **DMTT** – On 27 August 2026, six decisions operationalizing key elements of Qatar's DMTT framework were published in the Official Gazette, retrospectively effective from 1 January 2025 ([decisions available here in Arabic only](#)). The decisions, which further align the Qatari DMTT framework with the OECD GloBE Model Rules, introduce detailed implementation and compliance rules, including the Transitional CbCR Safe Harbour, simplified reporting, calculation mechanisms and currency conversion requirements. Key features include the de minimis, simplified ETR, and routine profits safe harbour tests, as well as rules governing the designation of a filing entity responsible for local compliance and registration through the Dhareeba portal.

In-scope MNE Groups should assess the impact of the new decisions on their Qatar DMTT obligations, including eligibility of the proposed simplification measures and safe harbours, and ensure their internal processes align with the OECD based requirements now incorporated into the Qatari DMTT regime.

## Bahrain

- **DMTT** – In August 2026, the National Bureau for Revenue (NBR) published version 1.1 of its DMTT Return Filing Manual ([available here](#)). The manual separates the annual process into an initial Revenue Test Notification and, where the group is within scope, the DMTT Tax Return. The return contains three components: (i) the Central Filing Notification, which identifies whether group information will be filed centrally, (ii) the Information Schedule, which contains the group and jurisdictional data and (iii) the Tax Computation Schedule, which calculates the Bahrain DMTT liability. The Manual outlines the following:
  - Every registered Filing Constituent Entity must submit the Revenue Test Notification for each reporting fiscal year, including where the revenue test indicates that the group is not in scope for that year.
  - Where central filing is relied on, taxpayers should confirm that an effective Qualifying Competent Authority Agreement exists with Bahrain and retain evidence of the filing jurisdiction and filing entity.
  - Groups intending to rely on central filing should confirm that the relevant information exchange arrangements are in place. Where local filing is required, sufficient time should be allocated to validate data, prepare the XML submission and complete any system testing before the filing deadline.
  - The Tax Computation Schedule should be reconciled to the group calculations, local financial data, covered taxes and any payments recorded on the NBR portal.

## Indirect tax

### UAE

- **Value Added Tax (VAT)** –During the quarter, the FTA issued several directives providing additional guidance on the VAT treatment of specific transactions and compliance obligations:
  - Directive No. 1 on Tax Transactions for VAT on Judicial Expert Services ([available here](#)), treats a judicial expert's court appointed services as an economic activity and therefore constitutes a taxable supply. The source of payment, including payment by a government body, does not change the character of the service. The judicial expert must therefore consider registration, invoicing, reporting, and recordkeeping obligations in the same way as other taxable service providers.
  - Directive No. 2 on Tax Transactions for VAT on Adjustments of Output Tax and Input Tax following a Registrant's exit from a Tax Group ([available here](#)), addresses adjustments after a member leaves a VAT group but remains VAT registered. Under the directive, former members must report in their own VAT returns adjustments relating to supplies or expenses previously reported by their VAT group, including reductions to taxable supplies and adjustments to expenses for which input tax was recovered. Supporting records linking the adjustment to the former group return must be retained.
  - Directive No. 3 on Tax Transactions for VAT on the Method of Converting the Value of Digital Currencies into AED ([available here](#)), prescribes the method for converting digital currency consideration into AED. The taxable person must apply the numerical average of the exchange rates published by three FTA published exchange platforms. The same three platforms must be used consistently throughout the calendar year, and evidence of the applicable rates and calculations must be retained. Taxable persons accepting digital assets should therefore align their transaction systems and VAT records with this method.
  - Directive No. 4 on Tax Transactions on Fees and Charges forming part of the Life Insurance Contract and life reinsurance contract ([available here](#)), distinguishes between services that form part of an exempt life insurance or reinsurance supply and services that are supplied separately. The directive outlines that a fee may follow the exempt VAT treatment where it is necessary and directly connected to the life insurance or reinsurance supply and is included in the premium without a separate charge. However, independent or separately charged services require a separate VAT analysis.
  - Directive No. 5 on Tax Transactions on the Method to Determine the Value of Deemed Supplies of Services ([available here](#)) provides a valuation methodology for deemed supplies of services, under which the taxable value is based on the direct and indirect costs on which input tax was incurred, applying the prescribed open market value, profit margin, and cost percentage steps. Taxable persons should identify the relevant cost pool and retain the calculation supporting the value reported.

Based on the above, businesses should consider whether any of the new directives affect their current VAT treatment, compliance processes or supporting documentation requirements, particularly where they operate VAT groups, transact in digital assets or provide insurance related services.

- **VAT** – On 22 July 2026, the FTA issued Decision No. 13 of 2026 on Measures, Procedures and Conditions Required by Taxable Persons for Verification of the Validity and Integrity of the Supplies before Deduction of Input Tax ([available here](#)), introducing a more prescriptive due diligence framework that taxpayers must satisfy before recovering input tax. Given the potential impact on input tax recovery, businesses should review existing supplier onboarding, invoice verification and procurement controls ahead of the 1 October 2026 effective date.

**Our update [available here](#)** provides more details on this Decision.

- **VAT** – On 26 August 2026, the FTA published the VAT Public Clarification VATP045 ([available here](#)) addressing output tax, tax invoices and input tax recovery for Concerned Goods imported into the UAE on or before 31 December 2025. The clarification outlines that whilst historically taxable persons were required to account for VAT on such goods and, for pre-2026 imports, issue a tax invoice to themselves unless an administrative exception applied, from 1 January 2026, taxable persons are no longer required to issue tax invoices to themselves when importing Concerned Goods. The clarification further outlines that input tax recovery remains subject to the **use for taxable supplies** condition and retention of the overseas supplier invoice, the relevant customs declaration and other supporting documents.

Businesses importing Concerned Goods should review their VAT compliance procedures to ensure they reflect the simplified rules introduced from 1 January 2026, while continuing to retain sufficient supporting evidence for input tax recovery purposes.

- **VAT** – On 1 September 2026, the UAE Cabinet has issued Cabinet Decision No. 149 of 2026 ([available here](#)), amending the VAT Executive Regulation. Most changes take effect from 1 October 2026 and affect the treatment of composite supplies, employee related costs, healthcare goods, cash payments, the profit margin scheme, and the capital asset Scheme. Revised input tax apportionment rules will apply from the first tax year commencing after 1 October 2027. The changes may require updates to contracts, accounting systems, expense policies and VAT recovery procedures. Businesses should assess the impact ahead of the various implementation dates.

**Our update available here** provides more details on this Decision.

- **VAT** – On 4 September 2026, the FTA published the VAT Public Clarification on Amendments to the VAT Law (VATP046) ([available here](#)), clarifying the key amendments to the VAT legislation introduced by Federal Decree-Law No. 16 of 2024 and 2025. The clarification outlines the following key amendments:
  - The amended non-resident definition, which focuses on whether a person has a place of establishment or fixed establishment in the UAE. VATP046 indicates that ownership or leasing of premises is not essential, whereby a foreign business may have a fixed establishment where personnel and equipment in the UAE are sufficient to perform its business activities, including where employees regularly operate from a customer's premises.
  - The clarification further outlines that an electronic document, newly defined under the amended VAT legislation provisions, is not automatically a valid tax invoice or credit note but instead must still contain the information required by Articles 59 and 60 of the VAT Executive Regulation. The clarification further highlights that where the e-invoicing system applies, electronic retention is also a condition relevant to input tax recovery; retaining only a paper copy will not be sufficient.
  - The clarification provides that the removal of reverse-charge self-invoicing from 1 January 2026 is an administrative simplification rather than removal of the reverse charge as taxpayers remain responsible for calculating and reporting the VAT and retaining the evidence prescribed under the Executive Regulation.
  - Under amended Article 74, excess recoverable tax must be refunded or offset within five years from the end of the tax period in which it arose. The clarification therefore outlines that the limitation period in relation to historic credit balances should be determined based on the originating tax period, not merely by the period in which they continue to appear on the return (e.g., where part of the credit balance is used and part remains unused).

Businesses should review the practical impact of the amendments on their existing VAT positions and ensure appropriate processes are in place before the new rules take effect, particularly in relation to e-invoicing, fixed establishment assessments and historic VAT credit balances.

- **VAT** – On 9 September 2026, the FTA published Decision No. 17 of 2026 on Cases and Conditions for Input Tax Recovery on Employee Expenses ([available here](#)), providing guidance on the amendments introduced by Federal Decree-Law No. 16 and the related legislative changes effective from 1 October 2026. This includes circumstances in which input tax may be recovered on certain goods and services provided to employees at no charge, including employee transportation, food and beverages, employee accommodation, accommodation for new employees, mobile phones and internet services, and parking spaces allocated to employees.

The decision may create opportunities to recover VAT on certain employee related costs that were previously treated conservatively. Businesses should review their policies and supporting documentation to determine whether additional input tax recovery may now be available.

## Tax reform

### Egypt

- **Tax Reform** – On 28 July, the Egyptian government introduced a package of tax reforms through Laws No. 148, 149, 150, 151, 152, 153 and 155 of 2026. The package represents one of the most significant tax reform exercises in recent years and introduces changes across VAT, corporate income tax, tax administration, securities taxation and dispute resolution. These changes are generally entering into force on 29 July 2026. The key takeaways of the reform are as follows:
  - **VAT** – The Law No. 149 amends the Value Added Tax Law No. 67 of 2016. Under the amended provisions, taxpayers are allowed to reclaim a VAT credit balance within 45 days after submitting a refund request where more than four

consecutive tax periods have elapsed, rather than six periods under the previous rule. In addition, the VAT treatment of specific goods and services have been amended, including:

- The VAT exception for goods in transit has been extended to cover related services performed under the supervision of the Customs Authority.
- A 14% VAT rate is now imposed on the rental of buildings and units used independently to manage business activities, subject to specified exceptions.
- Gypsum, soap and household industrial detergents are now also subject to 14% VAT instead of a 5% schedule tax, with the right to deduct related input VAT.
- The exemption for natural gas has been revoked, and natural gas is now subject to schedule tax of EGP 20 per 1,000 cubic feet.
- A 5% rate for medical devices used in producing goods or providing services has been introduced (the amendments include conditional relief for qualifying medical devices used in industrial production.)
- Specified inputs used to produce prosthetic devices and inputs for dialysis machines, filters, parts and related supplies are now exempted.
- Certain financial services provided by the National Postal Authority or subject to supervision by the Central Bank are also exempt.
- **Tax administration and accounting records** – Law No. 150 of 2026 amends the Unified Tax Procedures Law No. 206 of 2026. As part of the amendments, it is now required that every taxpayer engaged in commercial, industrial, craft or professional activities must maintain the legally prescribed accounting books and records, manually or electronically, regardless of their turnover. However, projects taxed under Law No. 6 of 2025 may instead maintain simplified records.

In addition, Law No. 150 of 2026 also permits the Egyptian Tax Authority, at the taxpayer's request, to issue a temporary tax card valid for eight months to facilitate establishment and licensing procedures. However, the temporary tax card cannot be used to issue electronic invoices or receipts.

- **Corporate income tax** – Law No. 151 of 2026 amends the Income Tax Law No. 91 of 2005. Importantly, the amendments reduce the period required for deducting qualifying bad debts from 18 months to 12 months, provided that the taxpayer has taken serious collection measures and has been unable to recover the debt. Debts not exceeding EGP 10,000 per debt are excluded from certain collection requirements where total bad debts do not exceed 1% of the taxpayer's total year end debtor balance. Other key takeaways include:
  - The solidarity contribution under the Comprehensive Health Insurance Law No. 2 of 2018 are now treated as a deductible expense for income tax purposes, the contribution is now also qualified as tax revenue and the Egyptian Tax Authority will be responsible for examining, assessing and collecting it.
  - The 10% add back associated with qualifying exempt dividends received by a parent or holding company have been removed and a mechanism for excluding previous dividend distributions when a resident company redistributes dividends to another resident entity has been introduced.
  - For corporate bodies undertaking qualifying national infrastructure projects, Law No. 151 of 2026 applies the thin-capitalization limitation to interest on loans and advances exceeding four times shareholders' equity, rather than the general threshold of twice the average shareholders' equity, subject to the relevant conditions.
  - The amendments also exempt returns on qualifying loans or facilities obtained from unrelated persons to finance specified national infrastructure projects from the 20% tax under Article 56 of the Income Tax Law.
- **Securities transactions** – Law No. 151 of 2026 revokes the 10% capital gains tax on shares listed on the Egyptian Stock Exchange. Under the amendments, gains from the disposal of listed securities are exempt from income tax, but related capital losses are not deductible. In accordance with the new provisions, the exemption does not apply where the disposal results in the delisting of the company's shares. The amendments also waive unpaid capital gains tax arising from disposals of listed shares between 16 June 2023 and 29 July 2026.

In addition, Law No. 153 of 2026 amends the Stamp Tax Law No. 111 of 1980 and reintroduces stamp tax on transactions involving securities listed on the Egyptian Stock Exchange, excluding listed mutual fund certificates. The standard rate is 0.5 per thousand for the buyer and 0.5 per thousand for the seller, and for same day purchase and sale

transactions, the rate is 0.25 per thousand for each party. The amendments also revoke the previous exemption for resident parties.

- **Tax Disputes** – Law No. 152 of 2026 renews the application of the Tax Disputes Settlement Law No. 79 of 2016 which provide a route for resolving open tax disputes outside the traditional appeal committee and court processes, allowing the settlement committees to continue reviewing unresolved applications and may consider new applications submitted by 31 December 2026.
- **State financial resources development fees** – Law No. 148 of 2026 amends the State Financial Resources Development Fee Law No. 147 of 1984 and imposes an EGP 100 fee when a person departs from Egypt, subject to specified transport related exemptions as well as a fee of EGP 35 on each ton of cement produced, which cement factories must remit to the Egyptian Tax Authority.

**Egyptian businesses should review their accounting records, VAT classifications, property leases, refund claims and bad debt procedures against the amended rules and should also assess the treatment of solidarity contributions, intercompany dividends, financing arrangements and securities transactions.**

**Additionally, taxpayers with open tax disputes should consider the availability of the settlement process and the deadline (31 December 2026) for new applications.**

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*Volodia Gire, Trainee Associate, has contributed to this Legal Update.*

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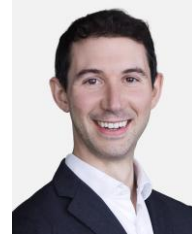
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