



GCC Tax & Regulatory Communique

July 2026



**UAE Tax and
Regulatory
updates**



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Regulatory
updates**



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GCC Tax & Regulatory Communiqué, July 2026

FTA Publishes Corporate Tax Private Clarifications Summary



The UAE Federal Tax Authority (FTA) has released a compilation of Corporate Tax (CT) Private Clarifications issued up to May 2026, providing a consolidated overview of the FTA's interpretation of various aspects of the CT framework.

- Private Clarifications are issued in response to specific taxpayer requests and apply only to the applicant and the facts presented. However, the consolidated publication offers valuable insight into the FTA's current administrative approach and interpretation of the CT regime.



The clarifications cover a wide range of topics, including:



Exempt persons



Free Zone taxation and qualifying activities



Substance requirements



Taxable income



Participation exemption



Tax groups



Tax loss utilisation



CT registration requirements



Financial statements



Tax periods



Transitional relief provisions



- Although these clarifications do not constitute legislation or generally binding guidance, they provide useful insight into the FTA's interpretative position on various technical and operational matters.

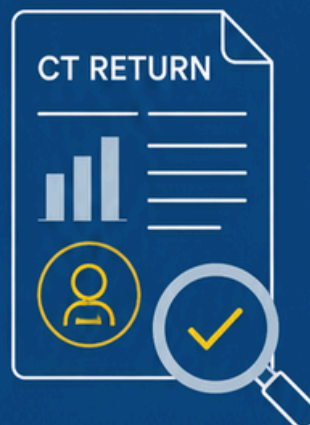


Key Takeaway:

Taxpayers should review the clarifications to assess whether their existing structures, compliance positions, or CT filings require reconsideration, or whether a formal private clarification should be sought from the FTA based on their specific facts.



The Significance of the FTA's New Shareholding Disclosure Requirements in CT Return



The FTA has enhanced the CT return on the EmaraTax portal by introducing additional Shareholding Details disclosure requirements.



- Under the revised requirements, Taxable Persons are now required to provide detailed information regarding their ownership structure, including identification of whether they are part of a Multinational Enterprise (MNE) Group.



- Where applicable, the Taxable Person must disclose details of the immediate parent company and the ultimate parent company, along with their respective countries of tax residency and tax identification numbers.



- Previously, the disclosure requirement was limited to a confirmation of whether the entity was part of an MNE Group or not.



- The enhanced disclosure requirements provide the FTA with greater transparency regarding group structures, ownership arrangements, and the tax residency profile of entities forming part of multinational groups.

New disclosure fields



Field	Status
 Name of the Ultimate Parent Company	Required
 Country of Tax Residency of the Ultimate Parent Company	Required
 Tax Identification / Registration Number of the Ultimate Parent Company	Optional
 Name of the Immediate Parent Company	Required
 Country of Tax Residency of the Immediate Parent Company	Required
 Tax Identification / Registration Number of the Immediate Parent Company	Optional



UAE FTA Issues

Education Sector VAT Guide



On 29 June 2026, the Federal Tax Authority issued the Education Sector VAT Guide (VATGED1), providing updated guidance on how VAT applies to educational services, related goods, and other activities in the sector. The VAT regime applicable to the Education Sector has not changed since its implementation in 2018, and the guide confirms the application of the current framework.



Zero-rating applies narrowly — educational services qualify for 0% VAT only where **BOTH** conditions are met:

- 1** The services must be provided by a recognised nursery, pre-school, school, or a government-owned or at least 50% government-funded higher education institution; and
- 2** They must be delivered under a curriculum recognised by the relevant federal or local authority.



The guide also states the following:

	1	Private universities that do not meet the 50% government funding threshold fall outside the zero-rating. Accordingly, most private higher education institutions in the UAE charge 5% VAT on tuition, while only government-funded institutions apply the 0% VAT rate.
	2	Related goods and services, such as textbooks and qualifying field trips, can also be zero-rated where they are integral to the recognised curriculum.
	3	Uniforms, devices, food and beverages, application fees, and most extracurricular activities remain subject to the standard 5% VAT rate.
	4	Student accommodation and local school transport are generally VAT exempt.
	5	Automated pre-recorded distance learning courses with limited human involvement are subject to the relevant place of supply rules for electronically supplied services.
	6	For scholarships, VAT applies only to the amount payable after the scholarship is deducted, while grants and donations are treated differently depending on whether an identifiable benefit flows back to the contributor.
	7	Institutions that have not yet claimed VAT refunds under the previous procedural requirements should note that the deadline for doing so is 31 December 2026 .



UAE FTA Updates Tourist VAT Refund Scheme

On 1 July 2026, the UAE issued Federal Tax Authority Decision No. 11 of 2026, effective from 12 July 2026, amending the Tax Refunds for Tourists Scheme. The Decision largely consolidates the existing framework following several amendments since 2018 and does not introduce significant new provisions. The key substantive change is the reduction of the fixed fee per VAT refund claim to AED 3.6. While the reduction is modest, it may result in meaningful savings for high-volume operators processing large numbers of refund claims.



KEY HIGHLIGHTS INCLUDE THE FOLLOWING:



Fixed fee per refund claim reduced to AED 3.6.



Administrative fee remains at 13% of the VAT amount refunded.



Cash VAT refunds remain capped at AED 35,000 per overseas tourist every 24 hours.



Minimum purchase value of AED 250 (tax-inclusive) from the same taxable person continues to apply.



Goods must be exported within 90 days from the date of supply.



Online purchases continue to qualify where the tourist requests the refund through a personal platform account and receives the goods directly.



Motor vehicles, boats, aircraft, and goods consumed in the UAE remain excluded from the scheme.



KEY TAKEAWAY



The scheme continues to apply to overseas tourists purchasing goods from participating retailers, with VAT refunds available at participating UAE international airports, land ports, and sea ports.





Five FTA Directives on Tax Transactions Issued in July 2026

The FTA issued five VAT Directives on Tax Transactions in July 2026, providing operational clarity on several VAT issues. The Directives are binding on both the FTA and taxpayers until replaced or the underlying legislation is repealed. Key highlights are stated below:



1



Directive No. 1 – Judicial Expert Services:

Court-appointed judicial expert services provided by registered experts are taxable supplies for VAT purposes. Consideration received for such services is subject to VAT, and experts meeting the registration threshold must register for VAT.

2



Directive No. 2 – Exit from a VAT Tax Group (effective 1 August 2026):

Members leaving a VAT Tax Group while remaining VAT registered must make adjustments in their own VAT returns for taxable supplies and input tax previously reported by the Tax Group. This Directive does not apply to Corporate Tax Groups.

3



Directive No. 3 – Digital Currency Conversion:

Taxable persons using digital currencies must select three FTA-approved exchange platforms and use them consistently throughout the calendar year to determine the AED value of digital currency transactions based on the average exchange rate at the time of supply or receipt.

4



Directive No. 4 – Life Insurance Fees:

Fees and charges that are necessary and integral to exempt life insurance or life reinsurance contracts form part of the exempt supply. Separately charged or independent services remain subject to VAT.

5



Directive No. 5 – Valuation of Deemed Supplies of Services:

Introduces a prescribed methodology for calculating the value of deemed supplies of services based on input-taxed costs and the entity's net profit margin from the preceding financial year.



These Directives provide important administrative guidance affecting a broad range of businesses, including financial institutions, insurers, digital asset businesses, VAT Tax Groups, and court-appointed judicial experts.



**KEY
TAKEAWAY**



Taxpayers should assess the impact of these Directives on their VAT compliance and reporting obligations.





FTA Clarifies Disclosure Requirements for Downward Transfer Pricing Adjustments

The FTA has issued a CT Public Clarification explaining when and how taxpayers can make downward Transfer Pricing (TP) adjustments to reduce taxable income in their CT Return.



- The clarification does not introduce changes to the existing TP framework but provides guidance on the self-assessment approach, disclosure requirements, and documentation required to support downward TP adjustments under Article 34(1) of the UAE CT Law.



- Related Party transactions must be conducted at the Arm's Length Price (ALP). Where the financial statements do not reflect ALP, appropriate TP adjustments must be made through the CT Return. The clarification applies only to adjustments under Article 34(1) and does not cover corresponding adjustments under Articles 34(10) and 34(11).



TP ADJUSTMENTS MAY EITHER:

- Increase taxable income (upward adjustment); or
- Decrease taxable income (downward adjustment).



- Prior FTA approval is not required for a downward TP adjustment, as the UAE CT regime operates on a self-assessment basis. However, the FTA may review and challenge the adjustment during a tax audit.



- A downward TP adjustment must be disclosed in the CT Return regardless of the transaction value, even if it falls below the normal Related Party disclosure thresholds.



- Taxpayers are responsible for determining whether a transaction is not at arm's length and whether a TP adjustment is required.



DOCUMENTATION TO SUPPORT A DOWNWARD ADJUSTMENT SHOULD INCLUDE:

- A clear rationale explaining why the original pricing was not at arm's length and why the revised pricing is appropriate.
- An arm's length analysis supported by a benchmarking study.
- A reconciliation between the financial statements, the arm's length values, and the adjustment reflected in the CT Return.
- Evidence that the Related Party has made a symmetrical corresponding adjustment to ensure consistent treatment of the transaction.



KEY TAKEAWAY



Taxpayers considering downward TP adjustments should ensure that robust supporting documentation is maintained, as the FTA may review these adjustments during a tax audit.





Additional Procedures for Distribution of Goods or Materials in or from a Designated Zone

The FTA has issued Decision No. 6 of 2026, introducing additional compliance procedures for Qualifying Free Zone Persons (QFZPs) undertaking the distribution of goods or materials in or from a Designated Zone to customers outside a Free Zone. The Decision applies to Tax Periods commencing on or after 1 January 2026.



- QFZPs undertaking the distribution of goods or materials in or from a Designated Zone are required to maintain prescribed supporting documentation and obtain an Agreed-Up Procedures (AUP) report from an independent external auditor.



- Businesses should review their transaction flows, customer classifications, import procedures, and supporting documentation throughout the Tax Period.



KEY REQUIREMENTS INCLUDE —



1. OBTAIN AN AUP REPORT FROM AN INDEPENDENT UAE-LICENSED EXTERNAL AUDITOR.

The AUP report must demonstrate that:

- Customers purchase goods for resale, resale after processing, or donation to a public benefit entity; and
- Goods imported into the UAE are imported through a Designated Zone.



2. MAINTAIN SUPPORTING DOCUMENTATION, INCLUDING:

- Valid customer trade/business licences.
- Signed customer declarations confirming reseller status.
- Sales agreements, invoices, purchase orders, and other evidence of resale activity.
- Import declarations, customs documentation, bills of lading, airway bills, and other shipping records evidencing importation through a Designated Zone.



3. AUDITOR ROLE, DEADLINE AND CONSEQUENCES:

- The auditor is required to verify customer reseller status, review import documentation, confirm Designated Zone importation, and examine internal inventory and logistics records using a sampling approach in accordance with ISRS 4400.
- The AUP report must be submitted within 30 days after the Corporate Tax return filing deadline, or by such other date prescribed by the FTA.
- Failure to submit the AUP report on time may result in the QFZP being treated as not meeting the conditions under Ministerial Decision No. 84 of 2025 and Ministerial Decision No. 229 of 2025, potentially affecting eligibility for the QFZP regime.



KEY TAKEAWAY

Businesses undertaking qualifying distribution activities should ensure that appropriate documentation is maintained throughout the Tax Period to support compliance with the new requirements.

KSA — Amendments to Customs Procedures Controls and Bonded Zone Rules

The Governor of the Zakat, Tax and Customs Authority (ZATCA) has approved amendments to the Customs Procedures Controls and Rules of Bonded Zones through Decision No. (13-99-1448).



- The amendments aim to modernize Saudi Arabia's customs framework by enhancing customs declaration processes, inspection procedures, goods clearance, and controls over goods stored under customs suspension arrangements.



Customs Declaration
Processes



Inspection
Procedures



Goods
Clearance



Controls over Goods
Stored Under Customs
Suspension Arrangements

Qatar Issues Decree Updating Integrated Customs Tariff

Qatar has published Decree No. (31) of 2026 amending the GCC Integrated Customs Tariff implemented under Decree No. (98) of 2024. The Decree revises tariff headings, subheadings and classifications, introduces new tariff lines and removes certain existing ones. The revised tariff schedule took effect from 1 January 2026.



- The amendments implement decisions of the GCC Customs Union Authority and the Financial and Economic Cooperation Committee to update the Harmonized System (HS) nomenclature and the GCC Integrated Customs Tariff.



- Issued under Qatar's customs legislation, including Customs Law No. (40) of 2002, as amended, and Law No. (41) of 2002 on customs duties and exemptions, the Decree aligns Qatar's customs framework with the latest GCC customs developments.



- The changes affect a broad range of imported goods, including chemicals, plastics, metals, machinery, electrical equipment, vehicles, precision instruments, food products and beverages.



- The schedules also revise classifications for dairy products, dairy spreads, sweetened beverages and concentrates based on milk fat and sugar content, introduce new tariff lines subject to a 5% customs duty and remove certain existing classifications.



- Some HS code amendments also relate to products subject to excise tax following Law No. (2) of 2026, which amended Excise Tax Law No. (25) of 2018.



OECD Updates to the Rules on Intra-Group Services

The OECD released a public consultation document proposing updates to Chapter VII of the OECD Transfer Pricing Guidelines, which covers intra-group services. Stakeholders were invited to submit comments by 22 July 2026, with a public consultation expected in November 2026.



- The proposed guidance aims to reflect the post-BEPS transfer pricing environment and provides further clarity on key areas that have historically resulted in disputes between taxpayers and tax authorities.



- The updates focus on the application of the benefits test, treatment of duplicative services, distinction between shareholder and stewardship activities, cost allocation approaches, and mark-up principles.



- The draft also addresses the increasing importance of transactions involving intangible property (IP), highlighting the need for a robust approach when determining the transfer pricing treatment of IP-related intercompany services.



- The existing guidance on low value-adding intra-group services (LVS) remains unchanged.



- While the proposed guidance is not yet final and cannot currently be relied upon as consensus guidance, it provides useful insight into the OECD's evolving position on intra-group service arrangements.



- The updates are particularly relevant for multinational groups with significant intercompany service transactions, including head office support, shared services, technology and IT services, management services, research and development support, and brand or franchise-related services.



Key Takeaway

Given the increased scrutiny of intra-group service arrangements, businesses should proactively review their existing agreements, pricing approaches, and supporting documentation to ensure alignment with the evolving OECD guidance and address potential transfer pricing risks.



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International Tax Treaty Developments

Two developments: the Qatar–Uruguay Income Tax Treaty clears the Uruguayan Senate, and the UAE–Ukraine CEPA enters into force.



Qatar–Uruguay Income Tax Treaty Clears the Uruguayan Senate

- Uruguay and Qatar signed a Double Tax Treaty (DTT) in Doha in December 2025 on the sidelines of the Doha Forum. The treaty was approved by the Uruguayan Senate on 7 July 2026 and now awaits approval by the Chamber of Representatives before entering into force.
- The treaty allocates taxing rights over dividends, interest, royalties, technical service fees, permanent establishments, and capital gains. In practice, its principal benefit is the reduction of Uruguayan withholding taxes on payments to Qatari residents, while providing limited relief for payments from Qatar.
- Key provisions include the following:
 - Dividends:** 5% for governmental companies or institutions and 7% in all other cases.
 - Interest:** 10%, reduced to 0% where paid to governmental companies or institutions.
 - Royalties:** 0% on royalties relating to the exploration and exploitation of hydrocarbons where paid by governmental companies or institutions; 5% for payments relating to industrial, commercial, or scientific equipment; and 10% in all other cases.
 - Technical service fees:** 10%, with exemptions for certain hydrocarbon-related payments.
 - Services permanent establishment:** A PE arises where services are performed through a physical presence in the other State for more than 183 days within any 12-month period.
 - Capital gains:** The source State may tax gains from the disposal of shares where the seller held at least a 10% interest during the preceding 365 days, excluding listed shares and qualifying corporate reorganisations.



UAE–Ukraine CEPA Enters into Force

- The UAE–Ukraine Comprehensive Economic Partnership Agreement (CEPA) entered into force on 1 July 2026.
- Under the agreement, customs duties are eliminated immediately on approximately 99% of Ukrainian imports from the UAE and 97% of Ukrainian exports to the UAE.
- The agreement is expected to enhance bilateral trade and investment, with projected GDP gains of approximately USD 369 million for the UAE and USD 874 million for Ukraine by 2031.



Our Team

Mr. Nirav Shah

Director at FAME Advisory

With over two decades of experience in corporate advisory, consultancy, and compliance, CA Nirav Shah is a qualified Chartered Accountant and a stalwart in the industry, being recognized as amongst the top corporate structuring, international tax, and compliance experts in the UAE, India, and other countries.

For more than 15 years, Mr. Nirav has had a distinguished journey consulting global clients on Corporate Structures and Governance and family asset holding structures and has served as a specialist in providing strategic inputs to organizations.



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Udit Chokshi

Associate Director – Indirect Tax & Compliance

Udit has been working with FAME Advisory since 2014 & has been entrusted with the responsibility of the Corporate Training division for the company. He supervises a team of 6 & has a proven track record of managing 40 plus VAT Returns monthly with his team.

During his career, Udit has held a pivotal role in executing training projects for the company with a result-oriented approach while building high-performance teams & collaborating across departments.



Juned Halai

Manager International & Corporate Tax

With enriched experience in Corporate Tax at FAME, CA Juned Halai, provides strategic tax advisory services to a diverse portfolio of domestic and international clients. Specializing in tax planning, he has a proven track record of optimizing tax liabilities and enhancing client profitability.

Skilled in navigating complex regulatory frameworks, he offers expert tax guidance to multinational corporations and local businesses across the UAE and GCC region, ensuring compliance while maximizing tax efficiency.

He is actively engaged with international clients to provide expert advice on various international tax issues.



Hemang Agravat

Associate Director – Corporate Services

As a Business Development Manager at FAME, Hemang has had a long professional career with a focus on growing the company's client base.

He holds a successful track record of nurturing clients & has been instrumental in building high-performing teams. He specializes in building programs that add value to the client relationships. Hemang brings in a wealth of experience bridging the gap between Sales & Advisory teams.



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