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GCC Tax & Regulatory Communique

October 2026



UAE Tax and Regulatory updates

Saudi Arabia Tax and Regulatory updates

International Tax updates

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UAE FTA Clarifies Free Zone and Designated Zone Definitions

On 2 October 2026, the FTA issued Tax Public Clarification TAXP010, which sets out how a Free Zone and a Designated Zone are defined for Corporate Tax, Excise Tax and VAT purposes. The FTA confirms that the three definitions should not be treated as interchangeable.

Corporate Tax



- A Free Zone is a geographic area specified in a Cabinet decision.
- A Corporate Tax Designated Zone is narrower. It is a zone listed as a Designated Zone under the VAT Law that is also a Free Zone under the Corporate Tax Law, so a VAT Designated Zone is not automatically a Corporate Tax Designated Zone.
- The Jebel Ali Free Zone, the Dubai Airport Free Zone and the Khalifa Industrial Zone Abu Dhabi are Corporate Tax Designated Zones.
- The Abu Dhabi Global Market ("ADGM"), the Dubai International Financial Centre ("DIFC") and the Dubai Multi Commodities Centre are Free Zones for Corporate Tax purposes only, as they are not on the VAT Designated Zones list.

Excise Tax



- A Designated Zone is a fenced free zone with security measures, customs supervision and an appointed Warehouse Keeper, or another area approved by the FTA on the Warehouse Keeper's application.

VAT



- A Designated Zone must appear in the list under Cabinet Decision No. 59 of 2017 and meet the conditions of Article 51(1) of the VAT Executive Regulation to be treated as outside the UAE.



Key Takeaway:

Businesses should assess their zone status separately for each tax, by checking with the relevant Free Zone authority or Warehouse Keeper and referring to the list of Designated Zones published on the FTA website.

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UAE FTA Clarifies VAT Reverse Charge on Metal Scrap



On 2 October 2026, the FTA issued VAT Public Clarification VATP047 on the scope and application of the reverse charge mechanism to supplies of Metal Scrap between VAT registrants. The obligation was introduced by Cabinet Decision No. 153 of 2025 with effect from 14 January 2026.

1 Scope

- The mechanism applies only to Metal Scrap, defined as ferrous or non-ferrous metal waste with commercial value that is useable following processing.
- Paper, plastics, glass, textiles, rubber and other scrap materials fall outside Cabinet Decision No. 153 of 2025 and remain subject to the normal VAT rules.

2 Conditions

- The mechanism applies only where the recipient intends to resell the Metal Scrap or use it in Processing, meaning its conversion into materials useable in the manufacture of new products.
- A recipient acquiring Metal Scrap for internal use, such as maintenance works, is not regarded as acquiring it for resale.

3 Reporting

- Where the conditions are met, the supplier does not account for VAT on the supply or report it in its Tax Return.
- The recipient accounts for the VAT and declares the supply in Box 3, with recovery reported in Box 10. Box 9 must not be used for this recovery.

4 Exports

- The mechanism does not apply to direct or indirect exports of Metal Scrap, which the supplier reports as zero-rated.

5 Documentation

- Before the date of supply, the recipient must give the supplier two written declarations, one confirming its VAT registration details and one confirming that the Metal Scrap is acquired for resale or Processing. These may be combined in a single document.
- The supplier must retain the declarations, verify the recipient's registration using the FTA's Tax Registration Number verification tool, and state on the Tax Invoice that the supply is subject to the reverse charge mechanism.
- Where the recipient does not provide the declarations, the supplier accounts for VAT at the standard rate and the recipient is not entitled to recover the Input Tax incurred.

Key Takeaway:
Suppliers and recipients should therefore have the declaration process in place before the first supply.

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ZATCA Publishes User Guide for the Regional Headquarters Annual Disclosure Form

In October 2026, ZATCA published a user manual for the Annual Disclosure Form for Regional Headquarters ("RHQs"), which is available as an e-service on its portal. The form implements Article 7(B) of the Regional Headquarters Tax Rules ("RHQ Tax Rules"), which requires an annual report demonstrating compliance with the economic substance requirements.

The form requires each RHQ to disclose the following information, which it must declare to be true, complete and accurate. ZATCA may request further documents.

Contact and locations
Contact details and the locations of the headquarters and branches.

Board
Board members and board meetings.

Management and staff
Executive management, including residence in Saudi Arabia, and the number of employees.

Activities
Approved main and optional activities.

Financial disclosure
Owned and leased assets in Saudi Arabia, operating expenses, eligible revenues and revenues from ineligible activities, with supporting documents.

Key Takeaway:
Neither the RHQ Tax Rules nor the user manual sets a filing deadline, and Article 7(B) only requires filing on ZATCA's form in line with its procedures.

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ZATCA Penalty Waiver Ends on 31 December 2026



ZATCA's Cancellation of Fines and Exemption of Financial Penalties Initiative ends on 31 December 2026. Taxpayers with late registrations, unfiled returns, unpaid tax or VAT return corrections on returns due before 1 July 2026 have two months left to meet the conditions for the waiver.

- A Resolution of the Minister of Finance extended the initiative for six months from 1 July 2026. ZATCA's Simplified Guideline on the extension, issued as of 1 July 2026, sets out the conditions.
- The initiative covers VAT, Withholding Tax, Excise Tax, Corporate Income Tax and Real Estate Transaction Tax. Zakat is not among the listed taxes.

Fines waived

- The initiative waives late registration, late filing and late payment fines under all tax laws, and the VAT return correction penalty.
- The late payment waiver applies whether the unpaid tax arose from the taxpayer's own disclosure or from a ZATCA reassessment.

Conditions

- The taxpayer must register where required and file all outstanding returns or correct previously filed returns.
- It must then pay the full tax principal by 31 December 2026, or apply for an instalment plan before that date and comply with it.

Instalment plans

- Instalments falling due after 31 December 2026 under a ZATCA-approved plan remain exempt from late payment fines.
- If ZATCA cancels the plan for non-compliance, it recalculates all fines on the unpaid amounts from the original due date.

Exclusions

- The initiative does not cover tax evasion fines, fines under Article 45 of the VAT Law, fines paid before the initiative took effect or fines on returns due for submission after 30 June 2026.
- ZATCA has stated that any extension beyond 31 December 2026 will also exclude fines on returns due after 30 June 2026.

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Oman Amends Pillar Two Law to Focus on QDMTT



The Oman Tax Authority announced on 1 November 2026 that Royal Decree No. 101/2026 has amended the Pillar Two Top-up Tax Law (Royal Decree No. 70/2024), removing the Income Inclusion Rule (IIR) so that the law focuses solely on the Qualified Domestic Minimum Top-up Tax (QDMTT). The amendments also set out registration, filing, record-keeping and penalty requirements for multinational enterprise (MNE) groups.

Returns, corrections and evidence

Article 6
provides a 120-day registration period from becoming subject to tax and requires appointment of a designated reporting entity.

Article 7
requires both the top-up tax return and Pillar Two information return within fifteen months after the reporting financial year-end, subject to the implementing framework.

New Article 9
requires ten-year retention of supporting accounts and records from financial year-end, including for excluded entities within its terms.

Additional provisions introduce inspection powers, offences and administrative penalties.

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Tax Treaty Updates

Three international developments involving Jersey, Oman, Kuwait and Kazakhstan.



Jersey and Oman sign income tax treaty

- On 28 October 2026, Jersey and Oman signed an income tax treaty in Muscat. The treaty is not yet in force.



Jersey and Kuwait continue tax treaty negotiations

- According to an update published by the States Assembly of Jersey on 14 October 2026, negotiations on a tax treaty between Jersey and Kuwait are ongoing.



Kazakhstan and Oman sign investment protection agreement

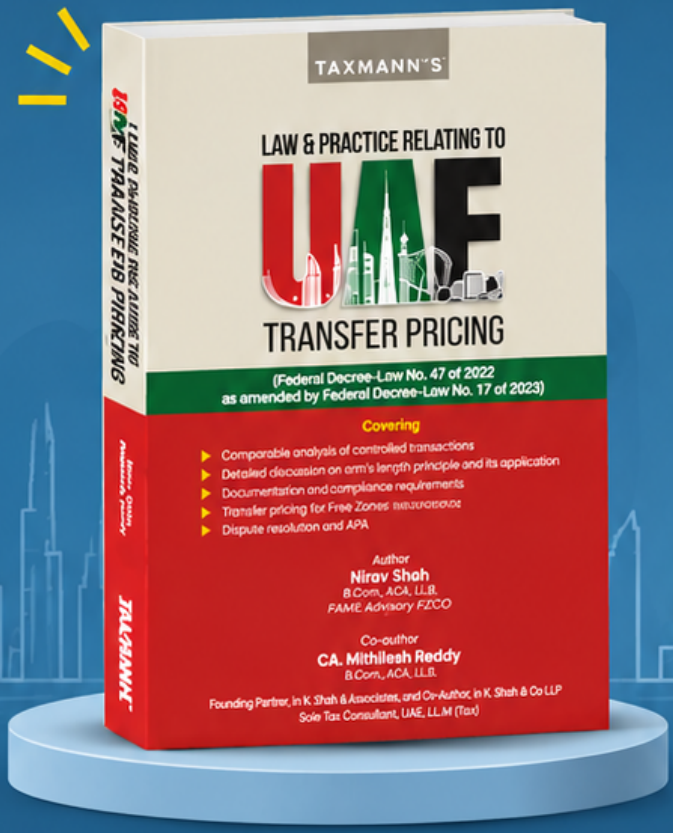
- On 6 October 2026, Kazakhstan and Oman signed an agreement on the promotion and protection of investments. The agreement is not yet in force, and the official text has not yet been published.

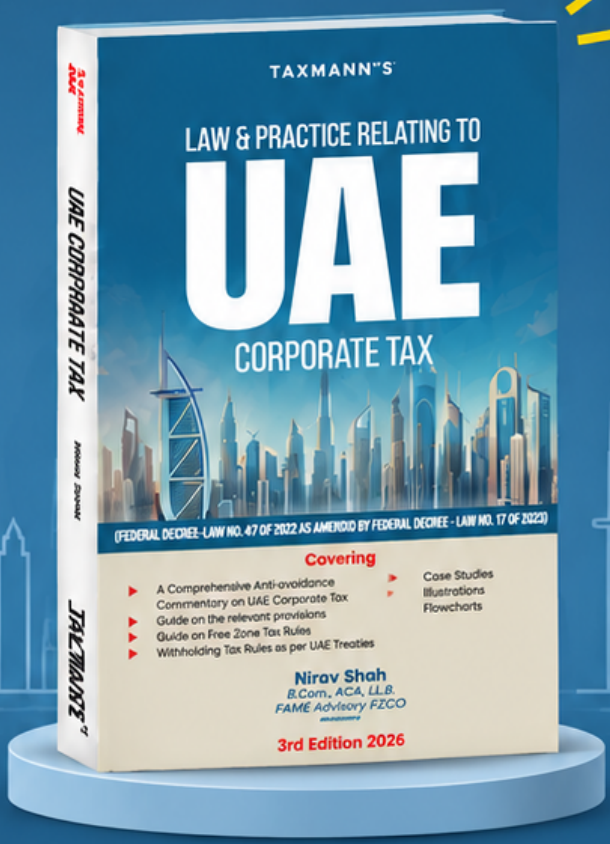
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