



Tax Newsletter

April 2025



Landscape

In our April 2025 edition of GT's regional monthly Tax Newsletter, we provide the latest news updates affecting International Tax, Corporate Tax, Transfer Pricing, and Indirect Taxes in the UAE and across the Middle East region.

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UAE Tax Updates

Corporate Tax

UAE Ministry of Finance (MoF) issues New Decision on Audited Financial Statement Requirements under Corporate Tax Law

On 14 April 2025, the UAE MoF published Ministerial Decision No. 84 of 2025, introducing revised rules regarding the requirement to prepare and maintain audited financial statements under Article 54(2) of the UAE Corporate Tax Law (Federal Decree-Law No. 47 of 2022).

The new decision, issued on 25 April 2025, repeals and replaces Ministerial Decision No. 82 of 2023 and applies to tax periods beginning on or after 1 January 2025.

Under the updated provisions, the following Taxable Persons are now required to maintain audited financial statements in line with applicable accounting standards:

- Standalone Taxable Persons with revenue exceeding AED 50 million during the relevant tax period.
- Qualifying Free Zone Persons (QFZPs), regardless of revenue, to ensure compliance with conditions out-lined in Ministerial Decision No. 139 of 2023.
- Tax Groups, where the Parent Company must prepare audited special purpose consolidated financial statements reflecting the financial position of the entire group, as per the format and guidelines set by the Federal Tax Authority (FTA).

For non-resident entities, only the revenue linked to a Permanent Establishment (PE) or nexus in the UAE will count toward the AED 50 million threshold. This ensures that only UAE-sourced income is considered when determining audit obligations for foreign taxpayers with a UAE presence.

The Ministry also reinforces the connection between this requirement and Ministerial Decision No. 265 of 2023, particularly for QFZPs involved in distributing goods or materials in or from Designated Zones. Such entities must comply with substance, ownership, and accounting documentation conditions. This development highlights the UAE's ongoing efforts to enhance financial transparency and strengthen corporate tax compliance by aligning audit practices with international standards.

To access the full decision, please click [here](#).

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner [Anuj R. Kapoor](#) or Tax Director [Hassan Fadda](#).

UAE Ministry of Finance (MoF) releases new Cabinet Decision no. 35 of 2025 on the Determination of a Non-Resident Person's Nexus in the UAE

On 11 April 2025, the UAE Ministry of Finance (MoF) issued Cabinet Decision No. 35 of 2025, introducing updated rules on when a non-resident person is considered to have a nexus in the UAE under the Corporate Tax Law (Federal Decree-Law No. 47 of 2022). This decision replaces Cabinet Decision No. 56 of 2023 and applies to tax periods starting on or after 1 January 2025. The previous decision remains applicable to earlier tax periods.

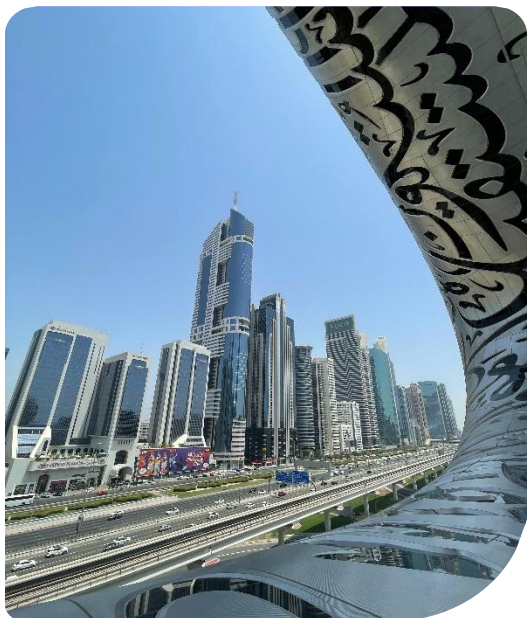
This new guidance first announced by the MoF on 6 April 2025 aligns with Cabinet Decision No. 34 of 2025 and provides clarity on the nexus conditions for non-resident juridical investors in Qualifying Investment Funds (QIFs) and Real Estate Investment Trusts (REITs).

In summary, non-resident investors in QIFs and REITs are not subject to UAE Corporate Tax unless specific income distribution or ownership conditions are not satisfied. This narrows the scope of taxable presence and simplifies compliance obligations for foreign investors. This latest decision underlines the UAE's efforts to maintain a competitive, transparent, and investment-friendly tax regime, while ensuring alignment with the broader international tax framework.

To access the full decision, please click [here](#).

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner [Anuj R. Kapoor](#) or Tax Director [Hassan Fadda](#).





UAE Ministry of Finance (MoF) Releases Cabinet Decision No. 34 of 2025 on Qualifying Investment Funds and Qualifying Limited Partnerships

On 5 April 2025, the UAE MoF issued Cabinet Decision No. 34 of 2025, introducing key reforms to the tax treatment of Qualifying Investment Funds (QIFs) and Qualifying Limited Partnerships (QLPs). This decision replaces Cabinet Decision No. 81 of 2023 and applies retroactively to tax periods beginning on or after 1 January 2025.

Below we decipher what this means for Qualifying Investment Funds and Qualifying Limited Partnerships operating in the UAE.

Expansion of Scope and Eligible Entities

Cabinet Decision No. 81 of 2023 (CD 2023) focused primarily on Qualifying Investment Funds (QIFs). Whereas, in contrast, Cabinet Decision No. 34 of 2025 (CD 2025) explicitly includes Real Estate Investment Trusts (REITs), Qualifying Limited Partnerships (QLP), and Unincorporated Partnerships within the scope of entities that may apply for Corporate Tax exemption. This change aligns the UAE with international standards and widens the tax-neutral structures available to investors.

Conditions for qualifying investment funds

Article (2) of both CD 2023 and CD 2025 sets out the conditions under which an investment fund may qualify for Corporate Tax exemption as a Qualifying Investment Fund (QIF). While the overall framework remains consistent across both decisions, there are several nuanced differences in implementation and compliance expectations.

In Cabinet Decision 2023, the conditions included: the fund's primary engagement in Investment Business, investor ownership thresholds (no more than 30% for fewer than 10 investors, and 50% for 10 or more), a requirement that the fund be managed by an Investment Manager with at least three professionals, and a restriction on investor control over day-to-day operations. In addition, income from Investment Managers was attributable to their own taxable income, and non-core activities were capped at 5% of total revenue. Notably, Cabinet Decision 2023 included a grace period of two financial years for newly established funds to meet ownership conditions, with exempt status revoked from the third year if non-compliance persisted.

Cabinet Decision 2025 retains the emphasis on Investment Business and ownership thresholds but introduces subtle refinements. The explicit requirement for an Investment Manager with a specific team size has been removed, potentially to allow more operational flexibility. A new requirement mandates that funds provide investors with all necessary information and documents to calculate their taxable income - signaling a stronger focus on compliance and reporting.

Real Estate Investment Trusts – evolution and expansion

While Article (3) of Cabinet Decision 2023 did establish criteria for REITs to obtain exemption - such as holding AED 100 million in assets and maintaining a 70% real estate ratio – CD 2025 expands and formalises REIT treatment. Article (4) of Cabinet Decision 2025 introduces new technical definitions, detailed rules on depreciation, profit distribution thresholds, and treatment of disposals. A key addition is the '80% rule': if a REIT distributes 80% or more of its Immovable Property Income within nine months of the financial year-end, investors are not required to adjust their taxable income. However, if the distribution is not made within this timeline, 80% of the prorated Immovable Property Income must be included in the investor's taxable income. This mechanism ensures that tax exemption benefits are tied to actual income distribution, reinforcing the purpose of REIT structures as pass-through investment vehicles.

Qualifying Limited Partnerships – newly introduced

Article (5) of the CD 2025 introduces the concept of a Qualifying Limited Partnership (QLP), a significant addition absent from the CD 2023 framework. A QLP may apply for exemption from Corporate Tax if it conducts only Investment Business and does not derive any income from immovable property located in the UAE, such as rent, sale, or subletting. Additionally, its primary purpose must not be tax avoidance.

Juridical persons wholly owned and controlled by a QLP may also apply for exemption, provided they either undertake the QLP's activities, hold or invest funds solely for the QLP, or perform only ancillary functions. These supporting entities must also avoid deriving any UAE immovable property income.

To maintain its exempt status, the QLP must ensure that any ancillary or incidental business activities do not exceed 5% of its total revenue in any given financial year. This threshold acts as a safeguard to preserve the fund's primary focus on investment operations.

For investors, Cabinet Decision 2025 offers favorable treatment. A taxable person investing in an exempt QLP may adjust their taxable income to exclude any profit distributions received. If the investor is a juridical person, they must also include their share of net income from the QLP, excluding amounts already taxed through the Investment Manager.

Importantly, a QLP that fails to apply for exemption in its first eligible tax period, or fails to continuously meet the qualifying conditions, will lose its exempt status retroactively from the start of the relevant tax period. It will also be barred from reapplying for exemption for the subsequent four tax periods, ensuring strong compliance enforcement.



Investor Income

Article (4) of Cabinet Decision 2023 provided basic conditions for when an investor's income from a QIF would be included in taxable income - primarily based on ownership thresholds and control. Article (3) of CD 2025 significantly enhances this by setting tiered ownership thresholds based on the number of investors (30% for fewer than 10, 50% for 10 or more), introducing rules for real estate exposure (e.g., 10% immovable property threshold triggering partial in-come inclusion), and providing mechanisms for depreciation and profit adjustments. CD 2025 also introduces administration rules for non-resident investors.

Additionally, Cabinet Decision 2025 introduces important refinements to how investor income from a QIF is treated. A key feature is the 80% distribution rule: if a QIF's UAE immovable property exceeds 10% of its assets, 80% of that income is taxable to investors unless the fund distributes at least 80% of it within nine months of the financial year-end. This encourages timely distribution and prevents funds from sheltering real estate income.

There are also grace period rules specified: ownership thresholds (30% or 50%) do not apply during the fund's first two financial years. Beyond that, a fund won't lose exemption status if a threshold breach is brief (not exceeding 90 days) or results from liquidation or events beyond control.

Non-resident investors are also given flexibility to comply by appointing a Tax Agent either directly, through the fund, or via the Investment Manager. Lastly, income timing is clarified by linking prorated Immovable Property In-come to the financial year-end or the investor's holding period, ensuring proper alignment of income recognition and tax obligations.

Anti-Avoidance Measures and Ministerial Powers

Unlike Cabinet Decision 2023, the Cabinet Decision 2025 update incorporates explicit anti-avoidance measures. These include loss of exempt status for failing to meet conditions, a four-year reapplication lockout period, and valuation methods for previously exempt assets.

Repeal and Transition Provision

The new Cabinet Decision shall apply for tax periods beginning on or after 1 January 2025. The earlier Decision shall continue to apply for tax periods that commenced before 1 January 2025. In the ever-evolving landscape of UAE Corporation Tax, the updated Decisions provide further clarity on the rules and regulations for Funds operating in the UAE.

To access the full decision, please click [here](#).

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner [Anuj R. Kapoor](#) or Tax Director [Hassan Fadda](#).

Value-Added Tax

The Federal Tax Authority ('FTA') releases VAT Public Clarification (VATP041) on SWIFT messages

On 14 April 2025, the FTA released Public Clarification 'VATP041' replacing 'VATP036' on SWIFT messages used in financial transactions. Financial institutions in the UAE, including banks and exchange houses, incur international bank charges from foreign banks due to the use of the SWIFT communication system. The previous clarification required financial institutions to issue a tax invoice to themselves when receiving interbank services from outside the UAE, as the SWIFT message itself did not meet the requirements of a compliant Tax Invoice.

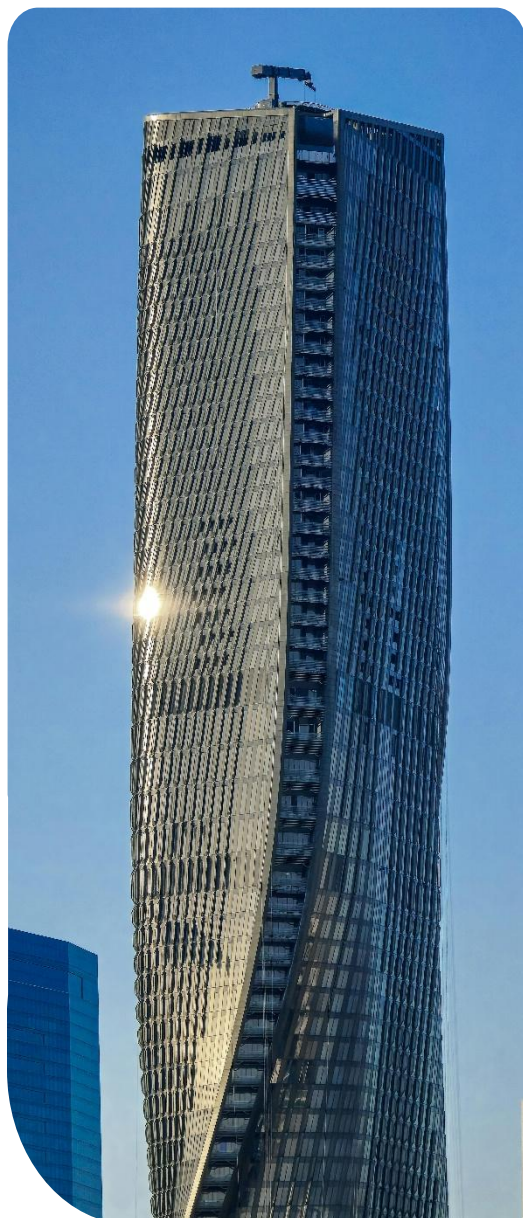
Due to the impracticality of issuing invoices for numerous interbank transactions, the FTA now accepts SWIFT messages as sufficient evidence if they contain specific information. The required information includes:

- 1) Name and address of the bank outside the UAE (SWIFT sender/supplier).
- 2) Name of the UAE Financial Institution receiving the Service (SWIFT receiver/customer).
- 3) Date of the transaction.
- 4) SWIFT Message reference number.
- 5) Transaction reference number.
- 6) Description of the transaction.
- 7) Consideration charged and currency used.

Furthermore, input tax recovery is allowed to the extent costs are incurred for taxable supplies, with the necessary supporting documents retained.

For further information on the above update, please click [here](#).

Should you need any further clarification and details regarding this update, please contact our Tax Director [Harsh Bhatia](#), or our Tax Associate Director [Charlotte Stanley](#).



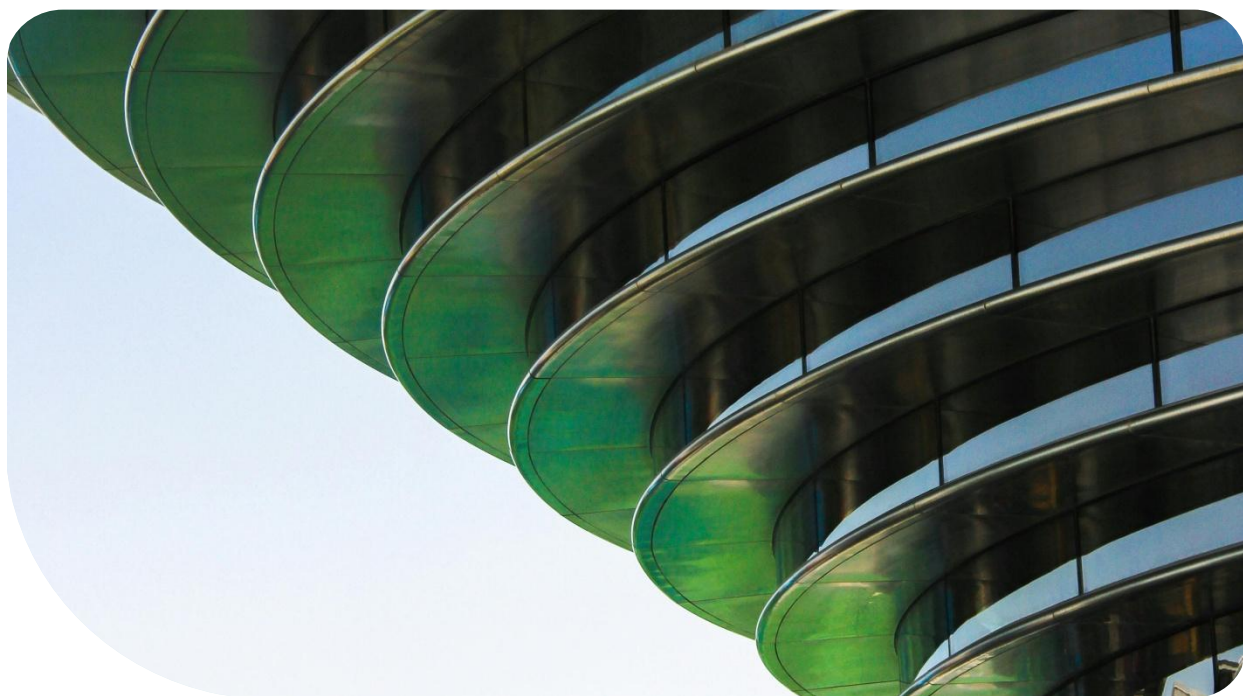
Customs and Excise Tax Update

The Dubai Customs Authority has issued Customs Notice No. (04/2025) imposing temporary anti-dumping measures on white mushroom imported from Iran

Effective from 1 April 2025, the Dubai Customs Authority has imposed temporary anti-dumping measures on imports of white mushrooms in the UAE from Iran for a period of four months. This decision targets white mushrooms under tariff code (07095100) with a dumping margin of 66.76% of the CIF value for all companies importing the specified product from Iran.

For further information on the above update, please click [here](#).

Should you need any further clarification and details regarding this update, please contact our Tax Director [Harsh Bhatia](#), or our Tax Associate Director [Charlotte Stanley](#).



Value-Added Tax

The Zakat, Tax and Customs Authority ('ZATCA') Introduces Amendments to the VAT Implementing Regulations

On 18 April 2025, ZATCA has approved amendments to the VAT Implementing Regulations ('VAT IR'), introducing clearer guidelines for tax compliance. These amendments cover various aspects such as nominal supplies, transfers of going concern, government grants, and procedures for tax corrections.

- 1. VAT Group:** VAT Grouping conditions now require each entity to engage in taxable economic activities and be eligible for standalone VAT registration. Additionally, a grace period of 180 days from the day of the announcement of the approved amendments is provided for VAT Group member to adjust according to the amended VAT IR.
- 2. Cessation of Economic Activity:** Taxable persons must retain invoices, notifications, books and records for the periods specified in Article (66) of the VAT IR even after ceasing economic activities.
- 3. Services:** A non-exhaustive list of services has been provided that includes granting rights, providing facilities, refraining from certain actions, agreeing to waive participation rights, transferring indivisible shares in goods, and allowing the use or transfer of intangible rights such as copyrights and trademarks to eliminate ambiguity regarding agreed-upon services.
- 4. Nominal Supplies:** Aligned with the GCC VAT Agreement, nominal supplies apply only to specified cases. The Amended VAT IRs mandates that taxable persons to keep records demonstrating that they did not claim input tax recovery for their nominal supplies.
- 5. Transfers of Going Concern (TOGC):** Both supplier and recipient must notify ZATCA of TOGC transactions, with specific details required such as names, addresses, Tax Identification Numbers, proof of VAT registration application (if applicable), transfer date, and specifics of the transferred goods and services, along with a copy of the transfer agreement. If the conditions for TOGC are not met, the transaction is to be treated as a taxable supply.
- 6. VAT Suspension:** The amended VAT IR clarifies VAT treatment for goods under customs duty suspension, excluding water and energy supplies.
- 7. Services to Non-GCC Residents:** Narrowed exceptions to zero-rating for services benefiting Saudi residents.
- 8. Government Grants:** Payments for goods or services benefiting the government are considered as taxable supplies.
- 9. Input Tax Deduction:** Exceptions for full input tax deduction under financing contracts if certain conditions are met.

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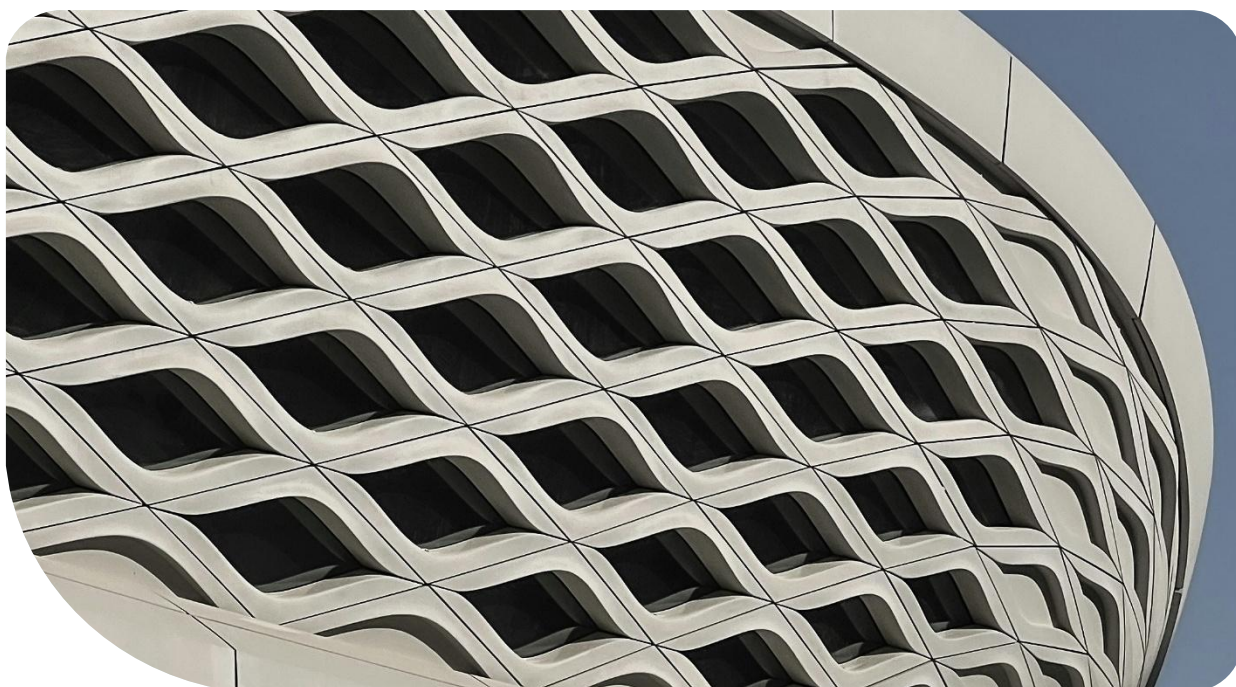
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- 2. Waiver and Cessation of Economic Activity:** In the case of waiver of economic activity, the transferee is required to notify the Authority of the waiver within thirty (30) days from the waiver date, following the procedure specified by the Authority, unless the transferor has cancelled their registration in accordance with Paragraph (4) of this Article. Taxable persons whose registration has been canceled must retain invoices, notifications, books and records for the periods specified in Article (66) of the VAT IR. The cancellation of a taxable person's registration shall not affect their obligation to settle any outstanding amounts owed to the Authority that arose before the registration was cancelled.
- 3. Services:** A non-exhaustive list of services has been provided that includes granting rights, providing facilities, refraining from certain actions, agreeing to waive participation rights, transferring indivisible shares in goods, and allowing the use or transfer of intangible rights such as copyrights and trademarks to eliminate ambiguity regarding agreed-upon services.
- 4. Nominal Supplies:** Aligned with the GCC VAT Agreement, nominal supplies apply only to specified cases. The Amended VAT IRs mandates that taxable persons to keep records demonstrating that they did not claim input tax on direct costs associated with the purchase, production, or supply for their nominal supplies.
- 5. Transfers of Going Concern (TOGC):** Both supplier and recipient must notify ZATCA of TOGC transactions, no later than the end of the month following the month in which the transfer occurred. Specific details are required such as names, addresses, Tax Identification Numbers, proof of VAT registration application (if applicable), transfer date, and specifics of the transferred goods and services, along with a copy of the transfer agreement and any additional documentation as may be required by the Authority. If the conditions for TOGC are not met, the transaction is to be treated as a taxable supply.
- 6. VAT Suspension:** The amended VAT IR clarifies VAT treatment for goods under customs duty suspension, excluding water and energy supplies.
- 7. Government Grants:** Payments for goods or services benefiting the government are considered as taxable supplies.
- 8. Input Tax Deduction:** Exceptions for full input tax deduction under financing contracts if certain conditions are met.
- 9. Online Platforms:** The amended VAT IR defines Online Platforms as electronic markets that actively facilitate transactions.

- 12. Restricted Input Tax Deduction:** Expanded restrictions on input tax deductions to include food and hospitality, and beverage services in the workplace, and medical insurance and healthcare services provided to employees, unless there is a statutory obligation on the taxable persons to provide those services to their employees under any applicable law. Furthermore, the Amended VAT IRs provide more clarity on the definition of the term "restricted vehicles".
- 13. Credit and Debit Notes:** Established a timeframe for issuing these credit / debit notes which is limited to a maximum of 15 days from the month following the date on which event requiring the issuance of the notice occurs.
- 14. VAT Error Time Limits:** Focus on "net tax due" instead of "tax payable" for error corrections.
- 15. Offsetting Refundable Amounts:** ZATCA can offset refundable amounts against any tax liabilities, penalties or any other amounts payable to the Authority.
- 15. VAT Refund Provisions:** Additional information required for refund applications such as the bayan number, date, total amount and VAT amount as per the customs documents (if applicable) and date of payment of tax invoices or customs documents, with a minimum threshold for tax amounts of 5,000 Saudi Riyals.
- 16. VAT refund mechanism for Tourists:** Amendment includes the introduction of VAT refund scheme for tourists, for which ZATCA shall announce the mechanism for such refunds through approved service providers in the coming days.

Taxpayers are recommended to review these amendments released to assess their impact on supply chains, administrative processes, and compliance.

Should you require any further clarification and details, please contact our GT KSA Tax Team – Head of Tax [Adel Daglas](#) or Tax Director [Mohammad Huwitat](#)



The Zakat, Tax and Customs Authority ('ZATCA') Clarifies Latest Amendments to the VAT Regulations

The ZATCA has released VAT Guidelines detailing recent amendments to the VAT Implementing Regulations. The guide, currently available only in Arabic, includes several key updates:

Tax group registration:

- New conditions require each member to be a resident in Saudi Arabia and eligible for VAT registration.
- Members must have an established entity or fixed place of business within Saudi Arabia.
- At least 50% of the capital, voting rights, or market value of each member must be owned by the same legal person(s).
- Members should not be licensed to operate in special zones with customs duty suspension or be part of an-other tax group.
- Members must not be eligible for VAT refunds under Article 70, with exceptions for property developers and donors in public benefit projects.

Transfer of economic activity:

- Transfers of economic activity are not considered taxable supplies if certain conditions are met, including the capability of the transferred goods and services to operate independently and the recipient being a taxable person.
- Both supplier and recipient must notify ZATCA of the transfer using a designated form.

Electronic marketplaces:

- Defined as platforms enabling suppliers to display, offer, or make products available to customers.
- Electronic marketplaces acting as intermediaries for non-resident suppliers are responsible for collecting and remitting VAT on taxable supplies made in Saudi Arabia.
- Starting January 2026, rules will apply to electronic marketplaces facilitating supplies by resident suppliers who are not registered for VAT.

Other Updates:

Clarifications on ceasing economic activity, service supplies, special economic zones, and input tax deduction rules for goods under financing contracts. For further information on the above update, please click [here](#).

Should you require any further clarification and details, please contact our GT KSA Tax Team – Head of Tax [Adel Daglas](#) or Tax Director [Mohammad Huwitat](#).

The Zakat, Tax and Customs Authority (‘ZATCA’) sets guidelines for selecting Taxpayers in Wave 22 for implementing the Integration Phase of E-invoicing

On the 21 March 2025, the Zakat, Tax and Customs Authority (ZATCA) announced its 22nd wave of taxpayers for implementing the Integration Phase (Phase 2) of E-invoicing, which now includes taxpayers whose revenues subject to VAT exceed 1 million Saudi Riyals (SAR) during the tax years 2022, 2023 or 2024. The taxpayers who meet the criteria should integrate their E-invoicing solutions with the FATOORA platform no later than 31 December 2025. ZATCA has outlined below the additional requirements for Phase 1 & 2 of the implementation of E-invoicing, which includes:

- Integrating E-invoicing solutions with FATOORA;
- Issuing e-invoices in a specific format;
- Including additional fields in the invoice.

The below table provides a summary of the sequence of target groups and important timelines.

Target groups	Taxable turnover in 2021	Go-live date	To be fully integrated by	Likely penalty dates for non-compliance
1 st Wave	Exceeds SAR 3 Billion	1 January 2023	30 June 2023	1 July 2023
2 nd Wave	Exceeds SAR 500 Million	1 July 2023	31 December 2023	1 January 2024
3 rd Wave	Exceeds SAR 250 Million	1 October 2023	1 February 2024	Post 1 February 2024
4 th Wave	Exceeds SAR 150 Million	1 November 2023	29 February 2024	Post 1 March 2024
5 th Wave	Exceeds SAR 100 Million	1 December 2023	31 March 2024	Post 1 April 2024
6 th Wave	Exceeds SAR 70 Million	1 January 2024	30 April 2024	Post 1 May 2024
7 th Wave	Exceeds SAR 50 Million	1 February 2024	31 May 2024	Post 1 June 2024
8 th Wave	Exceeds SAR 40 Million	1 March 2024	30 June 2024	Post 1 July 2024
9 th Wave	Exceeds SAR 30 Million	1 June 2024	30 September 2024	Post 1 October 2024
10 th Wave	Exceeds SAR 25 Million	1 October 2024	31 December 2024	Post 1 January 2025
11 th Wave	Exceeds SAR 15 Million	1 November 2024	31 January 2025	Post 1 February 2025
12 th Wave	Exceeds SAR 10 Million	1 December 2024	28 February 2025	Post 1 March 2025
13 th Wave	Exceeds SAR 7 Million	1 January 2025	31 March 2025	Post 1 April 2025
14 th Wave	Exceeds SAR 5 Million	1 February 2025	30 April 2025	Post 1 May 2025
15 th Wave	Exceeds SAR 4 Million	1 March 2025	31 May 2025	Post 1 June 2025
16 th Wave	Exceeds SAR 3 Million	1 April 2025	30 June 2025	Post 1 July 2025
17 th Wave	Exceeds SAR 2.5 Million	1 May 2025	31 July 2025	Post 1 August 2025
18 th Wave	Exceeds SAR 2 Million	1 June 2025	31 August 2025	Post 1 September 2025
19 th Wave	Exceeds SAR 1.75 Million	1 July 2025	30 September 2025	Post 1 October 2025
20 th Wave	Exceeds SAR 1.5 Million	1 August 2025	31 October 2025	Post 1 November 2025
21 st Wave	Exceeds SAR 1.25 Million	1 September 2025	30 November 2025	Date Awaited
22 nd Wave	Exceeds SAR 1 Million	1 October 2025	31 December 2025	Date Awaited

Should you need any further clarification and details regarding this update, please contact our GT KSA Tax Team – Head of Tax [Adel Douglas](#) or Tax Director [Mohammad Huwitat](#).

Tax Treaties

Saudi Arabia Approves Tax Treaty with Iceland

In a milestone for international taxation, the Saudi Council of Ministers has ratified the pending income tax treaty with Iceland. Signed on 4 December 2024, this treaty marks the first formal tax agreement between the two nations, fostering economic cooperation and financial alignment.

The treaty will officially take effect once the ratification instruments are exchanged, paving the way for streamlined tax regulations and cross-border financial collaboration.

Should you need any further clarification and details regarding this update, please contact our GT KSA Tax Team – Head of Tax [Adel Douglas](#) or Tax Director [Mohammad Huwitat](#).



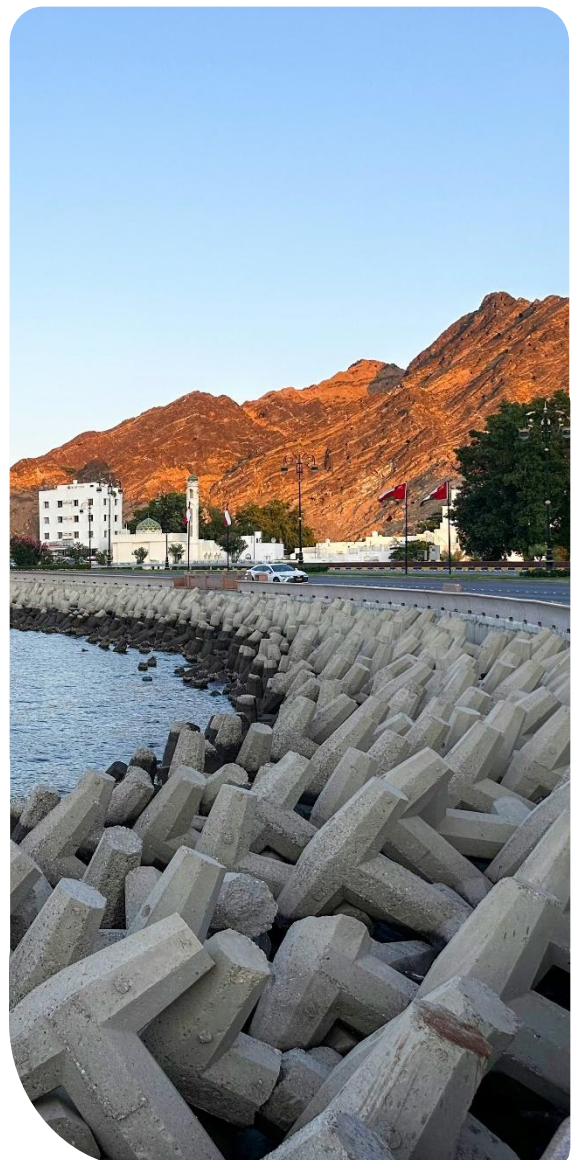
Tax Treaties

Update on Amending Protocol to Tax Treaty between India and Oman

On 27 January 2025, India and Oman signed the first protocol amending their 1997 Double Taxation Avoidance Agreement [DTAA]. The protocol introduces key updates aimed at aligning the treaty with modern international tax standards, particularly those under the OECD's Base Erosion and Profit Shifting (BEPS) framework.

Key highlights of the protocol:

- **Updated preamble:** Revised to reflect BEPS-aligned objectives, including the prevention of treaty abuse and tax evasion.
- **Expanded tax coverage (Article 2):** The treaty now explicitly includes Omani income tax within its scope.
- **Refined definitions (Article 3):** The term “competent authority” is clarified:
 - India: Finance Minister or an authorised representative.
 - Oman: Chairman of the Tax Authority or an authorised representative.
- **Tie-breaker rule for dual residence (Article 4):** For non-individual entities resident in both countries, residence for treaty purposes will be determined by mutual agreement between the competent authorities. If no agreement is reached, treaty benefits may be restricted.
- **Air transport article deleted:** Article 8 dealing with air transport is removed from the treaty.
- **Transfer pricing (Article 10):** Enhanced provisions included for corresponding transfer pricing adjustments between associated enterprises.



- **Reduced withholding tax rates:**

- Royalties (Article 13): Rate reduced from 15% to 10%.
- Technical fees (Article 14): Rate reduced from 15% to 10%.
- Double taxation relief (Article 25): Tax sparing provisions (paragraph 4), previously granting credit for taxes not actually paid due to incentives, have been removed.
- New non-discrimination clause (Article 25A): Introduces safeguards against discriminatory taxation of nationals, permanent establishments, and capital.

- **Updated procedural provisions:**

- Mutual Agreement Procedure (MAP) and Exchange of Information articles are modernised.
- A new article on assistance in tax collection is introduced (Article 27A).
- Principal Purpose Test (PPT) (Article 27B): Introduces an anti-abuse rule denying treaty benefits if obtaining the benefit was a principal purpose of a transaction, unless consistent with the treaty's object and purpose.
- Deleted final protocol: The original protocol concerning air transport is withdrawn.

Entry into force and application:

The protocol will become effective once ratification instruments are exchanged. It will apply in:

- Oman: From the date of entry into force.
- India: From 1 April following the entry into force.

Should you need any further clarification and details regarding this update, please contact our Head of Advisory - GT Oman [Badar Al Hashmi](#).



Update on Amending Protocol to Tax Treaty between India and Oman

The treaty between Oman and Tanzania was signed on 15 December 2024. It is the first of its kind between the two countries.

Taxes covered

The treaty covers Omani income tax and the Tanzanian tax on income charged under the Income Tax Act CAP 332.

Residence

If a person other than an individual is considered a resident in both Contracting States, the competent authorities will determine the person's residence for the purpose of the treaty through mutual agreement, having regard to its place of effective management, the place where it is incorporated or otherwise constituted and any other relevant factors. If no agreement is reached, such person shall not be entitled to any relief or exemption from tax provided by the treaty except to the extent and in such manner as may be agreed upon by the competent authorities of the Contracting States.

Service PE

The treaty includes the provision that a permanent establishment will be deemed constituted when an enterprise furnishes services in a Contracting State through employees or other engaged personnel when the activities continue for a period or periods aggregating more than 183 days within any

Limited force of attraction provision

Article 7 (Business Profits) includes a limited force of attraction provision whereby taxing rights are granted to a Contracting State on profits attributable to the sale of goods or merchandise by a resident of the other State if the same or similar goods or merchandise are sold through a PE maintained by that resident in the first-mentioned Contracting State. The same applies for other business activities carried on in a Contracting State by a resident of the other State if the same or similar activities are carried on through a PE.

Withholding tax rates

- Dividends - 10%
- Interest - 10%
- Royalties - 10%
- Fees for technical services (managerial, technical, or consultancy) - 10%

Limitation on benefits

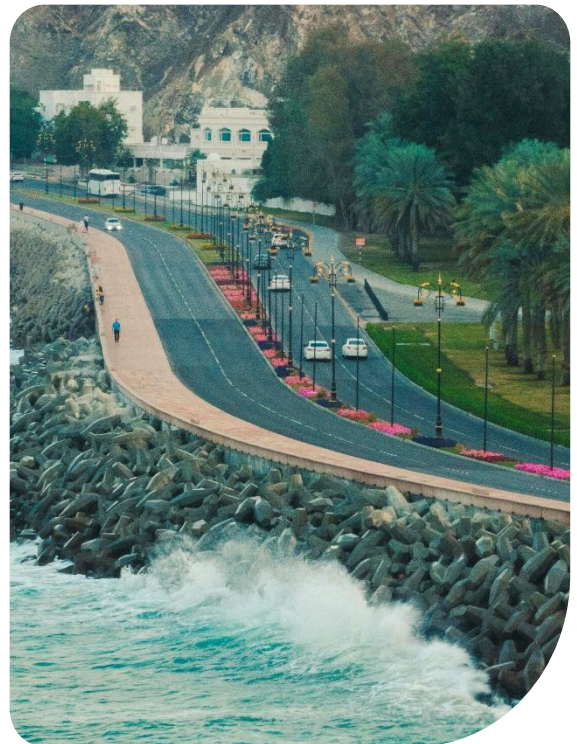
The beneficial provisions of Articles 10 (Dividends), 11 (Interest), 12 (Royalties), and 12A (Fees for Technical Services) will not apply if the main purpose or one of the main purposes of any person concerned with the creation or assignment of the shares, debt-claims, or other rights in respect of which the income is paid was to take advantage of those Articles by means of that creation or assignment. The limitation is included in each of those Articles.

Income from automated digital services

Article 12B (Income From Automated Digital Services) provides that income from automated digital services arising in a Contracting State may be taxed in that State, but if the beneficial owner of the income is a resident of the other State, the tax so charged shall not exceed 2% of the gross amount of the payments underlying the income from automated digital services. This will not apply, however, if the beneficial owner of the income from automated digital services re-quests to subject its qualified profits from automated digital services for the fiscal year concerned to taxation at the tax rate provided for in the domestic laws of the Contracting State in which the income arises. For this purpose, qualified profits shall be 30% of the amount resulting from applying the profitability ratio of that beneficial owner's automated digital services business segment to the gross annual revenue from automated digital services derived from the Contracting State in which the income arises. If the beneficial owner is part of a group, the group's profitability ratio is applied.

The term "automated digital services" means any service provided on the internet or another electronic network, in either case requiring minimal human involvement from the service provider. Automated digital services include especially:

- Online advertising services;
- Supply of user data;
- Online search engines;
- Online intermediation platform services;
- Social media platforms; Digital content services;
- Online gaming;
- Cloud computing services; and
- Standardised online teaching services.



Capital gains

The following capital gains derived by a resident of one Contracting State may be taxed by the other State:

- Gains from the alienation of immovable property situated in the other State;
- Gains from the alienation of movable property forming part of the business property of a permanent establishment in the other State;
- Gains from the alienation of shares or comparable interests, such as interests in a partnership or trust; and
- Gains from the alienation of rights granted under the law of the other State for the use of natural resources in other State.
- Gains from the alienation of other property by a resident of a Contracting State may only be taxed by that State.

Double taxation relief

Both countries apply the credit method for the elimination of double taxation.

Entitlement to benefits

Article 29 (Entitlement to Benefits) provides that a benefit under the treaty shall not be granted in respect of an item of income if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of the treaty.

Entry into force and effect

The treaty will enter into force once the ratification instruments are exchanged and will apply from that date in respect of withholding taxes and for any year of income commencing after that date in respect of other taxes.

Should you need any further clarification and details regarding this update, please contact our Head of Advisory - GT Oman [Badar Al Hashmi](#).

Bahrain Updates

Tax Treaties

Bahrain Moves Forward with Tax Treaty Ratification with Guernsey

Bahrain's Consultative (Shura) Council has officially approved the ratification of the pending income tax treaty with Guernsey, marking a significant step in strengthening financial cooperation between the two jurisdictions. The treaty, originally signed on 29 September 2024, is the first tax agreement of its kind between Bahrain and Guernsey.

The treaty is set to enter into force 30 days after the ratification instruments are exchanged, with its provisions taking effect from 1 January of the following year. This approval follows an earlier decision by the Council's Foreign Affairs, Defense, and National Security Committee on 9 March 2025, which initially endorsed the treaty before full Council ratification.

Should you need further clarification and details regarding this update, please contact GT Bahrain Tax Team – Senior Partner [Jatin Karia](#) and Director [Shashank Arya](#).



Corporate Tax

Qatar publishes law for pillar 2 global minimum tax rules

On 27 March 2025, Qatar officially published [Law No. 22 of 2024](#) in its Official Gazette. This law, previously approved by the Shura Council at the end of 2024, introduces measures aligned with the Pillar Two global minimum tax framework. It establishes a Qualified Domestic Minimum Top-up Tax (QDMTT) of 15% for applicable multinational enterprise (MNE) groups and also incorporates the Income Inclusion Rule (IIR) for relevant groups.

Both the QDMTT and IIR will be applied in line with the OECD's GLoBE rules, including related commentary, administrative guidance, and safe harbor provisions. Further regulations will be issued covering registration, notifications, and tax return filings.

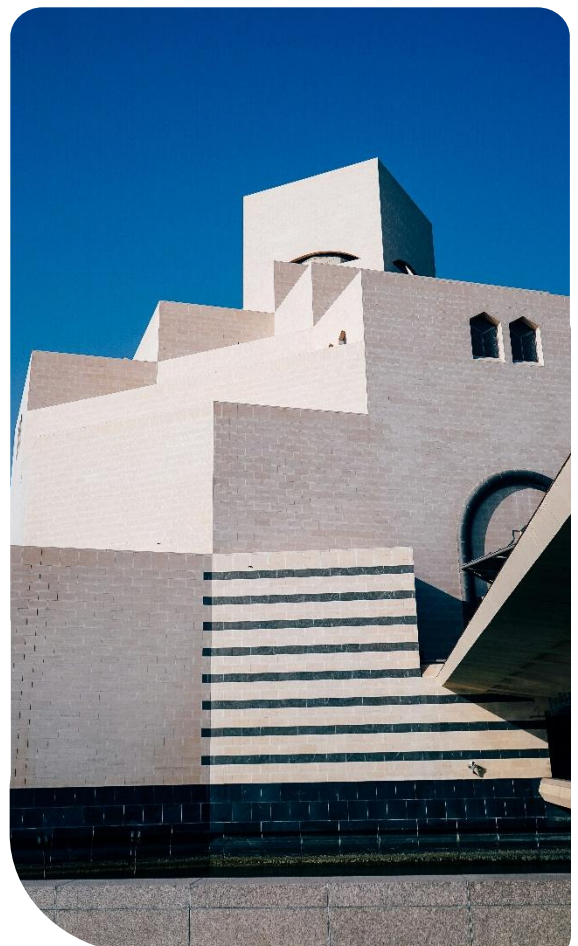
The law specifies penalties for non-compliance:

- QAR 20,000 for failing to meet registration or notification requirements;
- QAR 500 per day for late return filing, capped at QAR 180,000;
- 2% of the unpaid top-up tax per month (or part thereof) for late payment, capped at the amount of tax due.

However, penalty relief will be available during a transition period, covering financial years starting on or before 31 December 2026 and ending no later than 30 June 2028.

The new rules take effect from 1 January 2025.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner [Anuj R. Kapoor](#) or Tax Director [Hassan Fadda](#).



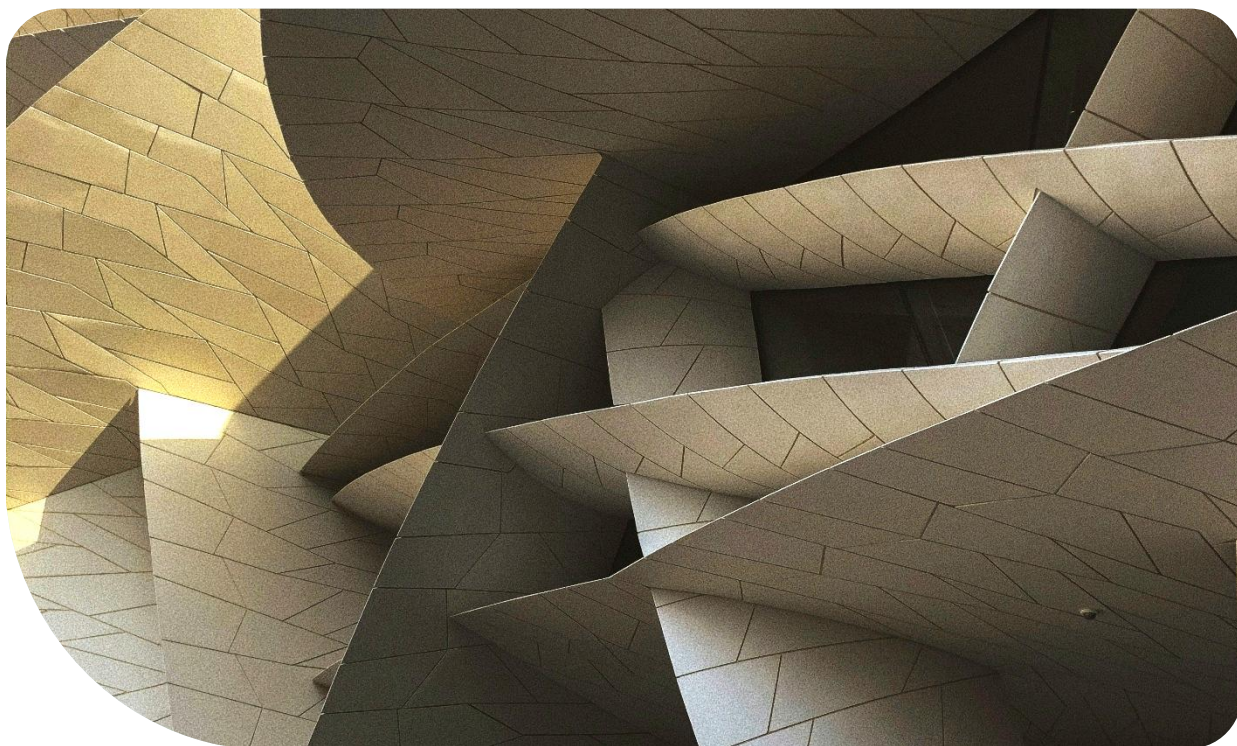
Tax Treaties

Norwegian Parliament Approves Tax Treaty Amendment with Qatar

In a significant move for international taxation, Norway's parliament has officially approved the pending protocol to the 2009 income tax treaty with Qatar. The protocol, signed on 4 September 2024, marks the first amendment to the treaty since its inception.

The protocol is set to take effect 30 days after the ratification instruments are exchanged. Once in force, its provisions will apply starting 1 January of the following year. This development underscores the continued efforts to re-fine cross-border taxation agreements and enhance bilateral financial cooperation.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner [Anuj R. Kapoor](#) or Tax Director [Hassan Fadda](#).



Our Experts

United Arab Emirates



Imran Mushtaq

Partner
Indirect Tax

T +971 4 388 9925
E Imran.mushtaq@ae.gt.com



Anuj R. Kapoor

Partner
International Tax

T +971 4 388 9925
E anuj.kapoor@ae.gt.com

Kingdom of Saudi Arabia



Adel Daglas

Head of Tax
Zakat & Tax

T +966 (0) 55 280 7442
E adaglas@sa.gt.com



Mohamed Whitat

Director
VAT Advisory

T +966 (0) 53 454 3017
E mhwhitat@sa.gt.com

Kingdom of Bahrain



Jatin Karia

Senior Partner
Tax Advisory

T +973 3957 5562
E jatin.karia@bh.gt.com



Shashank Arya

Director
Tax Advisory

T +973 3544 2937
E shashank.arya@bh.gt.com

Sultanate of Oman



Badar Al Hashmi

CEO and Head of Advisory
GT Oman

T +968 90333330
E badar.alhashmi@om.gt.com

Kuwait



Hazem Al-Agez

Partner
Tax Advisory &
Compliance Services

T +965 9994 9147
E hazem.alagez@kw.gt.com



Karim Ezz El-Din

Manager
Tax Advisory &
Compliance Services

T +965 6624 6798
E karim.ezzeldin@kw.gt.com

Abu Dhabi

Unit 2, Floor 14
Sila Tower
ADGM Square
Al Maryah Island
PO Box 41255
Abu Dhabi, UAE

T +971 2 666 9750

F +971 2 666 9816

Sharjah

5th Floor
City Gate Tower
Al Etihad Street
Al Taawun
PO Box 1968
Sharjah, UAE

T +971 6 525 9691

F +971 6 525 9690

Dubai

The Offices 5
Level 3, Office 303
One Central, DWTC
PO Box 1620
Dubai, UAE

T +971 4 388 9925

F +971 4 388 9915

