



Tax newsletter

July & August 2025

Landscape

In our July & August 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.

Contents

Section	Page
United Arab Emirates	3
Value-added tax (VAT)	3
Customs and excise tax	5
Corporate tax	6
Tax treaties	11
Kingdom of Saudi Arabia	12
Tax treaties	12
Bahrain	14
Corporate tax	14
Kuwait	15
Corporate tax	15
Tax treaties	16
Oman	17
Corporate tax	17
Tax treaties	18
Our experts	19

Value-added tax (VAT)

The Federal Tax Authority ('FTA') releases VAT Public Clarification (VATP044) on the VAT Accounting Requirements for Concerned Services

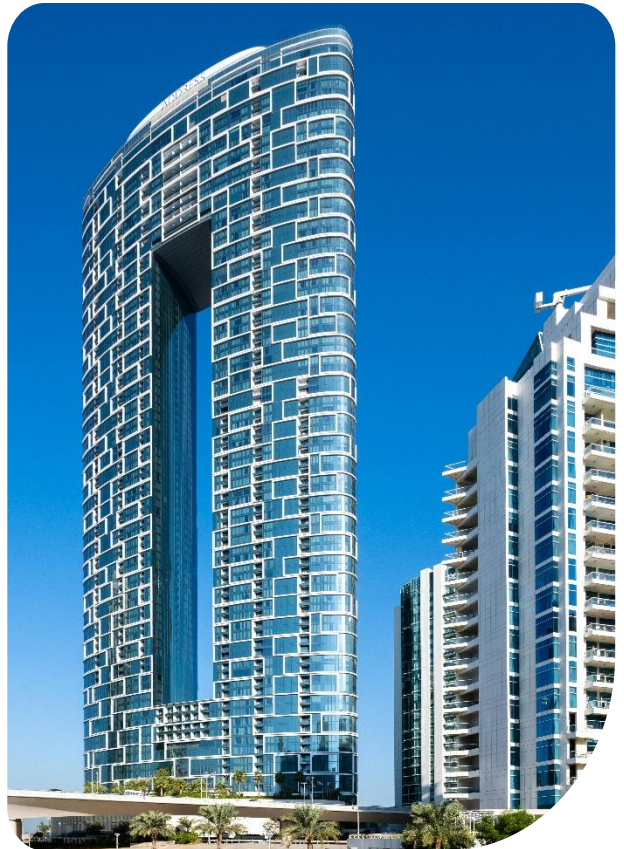
On 26 May 2025, the FTA released Public Clarification 'VATP044' regarding the requirements to account for output VAT and issuance of tax invoices in respect to Concerned Services along with the documentation required for recovering input VAT. This clarification aims to provide guidance on the VAT implications for imported services in the UAE.

VAT on Imported Services:

- Taxable persons receiving concerned services from outside the UAE must account for VAT on these services if the place of supply is in the UAE.
- These services are considered taxable supplies unless exempt if supplied within the UAE.

Output Tax and Invoicing:

- Registrants must account for output tax and issue tax invoices for the concerned services.
- Where sufficient records are maintained, Taxpayers may apply for an administrative exception precluding the need to issue a tax invoice.



Administrative Exceptions:

- In cases where issuing a tax invoice for imported services is impractical, the FTA may allow other records to serve as the suppliers invoice providing that the following aspects are included:
 1. The name and address of the supplier of the Concerned Service, e.g. a foreign entity supplying the Service from outside the UAE,
 2. The name and address of the Recipient,
 3. The date the document was issued,
 4. The date the Service ended,
 5. Description of the Service supplied,
 6. Consideration for the supply, including the relevant currency and, where applicable, payment terms.

Input Tax Recovery:

- Registrants can recover input tax if the services are used for making taxable supplies.
- Proper documentation, such as the supplier's invoice, must be retained.

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

The Federal Tax Authority ('FTA') releases Decision No. 6 on Understanding the Standards, Controls and Procedures for Dealing with Natural Shortage of Excise Goods

Effective from 1 July 2025, the FTA has issued Decision No. 6 of 2025 to provide clear guidelines on handling natural shortages of excise goods within designated zones. This decision outlines the standards, controls, and procedures that warehouse keepers and taxable persons must follow to ensure compliance.

Key Definitions:

- **Natural Shortage:** A shortage in the quantity of excise goods during production, storage, or transportation within the designated zone, beyond the control of the taxable person due to the nature of the goods.
- **Independent Competent Entity:** Approved laboratories that determine the permissible percentage of natural shortage.

Standards and Controls:

1. Determination of Permissible Shortage:

- Each warehouse keeper or taxable person must determine the permissible percentage of natural shortage for each excise good within the designated zone.
- A report from an Independent Competent Entity must be obtained and retained.

2. Documentation Requirements:

- Detailed explanations of the manufacturing process and stages where natural shortages may occur.
- Production formulas, expected shortage percentages, and supporting documents for previous periods.
- Manufacturing equipment data and operating manuals.

3. Inspection and Reporting:

- Requests for inspection by the Independent Competent Entity must cover at least six previous months.
- Changes affecting the percentage of natural shortage must be reported within 20 business days.

4. Validity and Renewal of Reports:

- Reports are valid for one year and must be renewed annually.
- The percentage of natural shortage stated in declarations must not exceed the percentage in the valid report.

Procedures:

1. Submitting Requests:

- Warehouse keepers and taxable persons must submit requests to the Independent Competent Entity with required documents.
- Retain and submit documents proving natural shortage to the FTA.

2. Notification and Declarations:

Notify the FTA of natural shortages through declarations, ensuring the percentage does not exceed the latest report.

Corporate tax

The UAE Federal Tax Authority (FTA) Highlights Need to Promptly Register for Corporate Tax to Benefit from Late Registration Penalty Waiver Initiative

The FTA has issued a recent advisory emphasizing the importance of early registration for Corporate Tax to take advantage of a limited-time penalty waiver initiative introduced in May 2025. Under this relief measure, businesses and entities that missed the deadline to register for Corporate Tax may be eligible for a waiver or refund of the AED 10,000 late registration penalty, provided they meet specific conditions.

To benefit from the waiver, Taxable Persons as well as Exempt Persons who are still required to register must ensure that their first Corporate Tax Return or annual declaration is submitted within seven months following the end of their initial tax period or financial year. This is a shorter timeline than the standard nine-month filing deadline.

Important Clarifications:

- The waiver applies exclusively to the first tax period of the registrant.
- Eligibility is not affected by whether the original filing deadline occurred before or after the announcement of the initiative.
- Filing within the seven-month window is mandatory to avoid the AED 10,000 penalty.

To access the public clarification, please click [here](#).

Should you need any further clarifications or details regarding this information, please contact our International Tax team – Partner [Anuj R. Kapoor](#), Tax Director [Isabel Rodriguez Alonso](#), or Tax Managers [Gel Vallar](#) and [Tammy Jones](#); and our Transfer Pricing team – Tax Director [Anna Nikolayko](#) and Tax Manager [Shiyu Renkey](#).



The Abu Dhabi Global Market (ADGM) Releases Updated Guidance on Financial Reporting for Qualifying Free Zone Persons (QFZPs) under UAE Corporate Tax

In August 2025, the ADGM Registration Authority issued updated guidance to elaborate on the preparation and filing of audited financial statements. The guidance sets out the RA's position, audit and filing requirements for ADGM companies that are or wish to qualify as QFZPs under the UAE Corporate Tax regime.

Key Requirements:

Mandatory Audited Financial Statements

All ADGM entities electing QFZP status must prepare and maintain audited financial statements, regardless of their size, revenue, or operational status. This includes small, dormant, or subsidiary companies that would otherwise qualify for audit exemptions under ADGM regulations.

Compliance with IFRS

Financial statements must be prepared in accordance with International Financial Reporting Standards (IFRS). The preparation of dual sets of accounts (e.g., one audited and one unaudited) is strictly prohibited.

Use of ADGM-Registered Auditors

Audits must be conducted by ADGM registered auditors. Engagements with non-registered auditors will not satisfy the compliance requirements for QFZP status.

Filing Deadline

Entities must ensure that their audited financial statements are filed with the ADGM Registrar by 30 September 2025. This deadline applies to both ADGM's regulatory framework and the UAE Corporate Tax obligations.

Transitional Relief for Small Entities

The Registration Authority has acknowledged a "no action position" for certain small entities during their first fiscal year under the UAE Corporate Tax regime. However, this is a temporary measure and should not be interpreted as a permanent exemption from audit or filing requirements.

Implications for ADGM Businesses:

- Businesses must proactively assess their QFZP status and ensure full compliance with both ADGM and UAE Corporate Tax regulations.
- The audit requirement is now a precondition for accessing the 0% Corporate Tax rate, making financial reporting a strategic priority.
- Failure to comply may result in loss of QFZP status and exposure to the standard corporate tax rate.

Recommended Actions:

- Review your entity's QFZP election and eligibility.
- Engage an ADGM-registered auditor without delay.
- Ensure your financial statements are IFRS-compliant and ready for submission by the deadline.

This guidance reflects ADGM's commitment to aligning its regulatory framework with national tax policy and reinforces the importance of robust financial governance for Free Zone entities.

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

Should you need any further clarifications or details regarding this information, please contact our International Tax team – Partner [Anuj R. Kapoor](#), Tax Director [Isabel Rodriguez Alonso](#), or Tax Managers [Gel Vallar](#) and [Tammy Jones](#); and our Transfer Pricing team – Tax Director [Anna Nikolayko](#) and Tax Manager [Shiyu Renkey](#).

The UAE Federal Tax Authority (FTA) Establishes Requirements for Preparing and Maintaining Audited Special Purpose Financial Statements for a Tax Group

The FTA has released Decision No. 7 of 2025, outlining the formal requirements for audited special purpose financial statements applicable to entities classified as a Tax Group under the Corporate Tax Law (Federal Decree-Law No. 47 of 2022).

Key Requirements:

Tax Groups must compile aggregated financial statements, which consolidate the individual financial reports of each group member.

- These statements must exclude intra-group transactions, ensuring only external dealings are reflected.
- The aggregation must be done annually, based on the standalone financials of each entity within the group for the relevant fiscal year.
- The financials must adhere to either IFRS or IFRS for SMEs, with specific exceptions detailed in the Decision e.g., accounting implications of business combinations under IFRS 3 and consolidated financial statements prepared under IFRS 10 in relation to such business combinations; adjustments relating to goodwill, gain on bargain purchase or fair value adjustments to assets and liabilities that are recorded in IFRS compliant consolidated financial statements, etc.

The statements to be presented in a set of aggregated financial statements include:

- Aggregated statement of financial position;
- Aggregated statement of profit or loss;
- Aggregated statement of other comprehensive income; and
- Aggregated statement of changes in equity.

The disclosure requirements for the aggregated financial statements include the following:

- The framework under which the aggregated financial statements have been prepared;
- The basis of aggregation;
- The material accounting policies, estimates, and judgments based on which the aggregated financial statements are prepared; and
- The explanatory information and notes that sufficiently support the numbers presented in the aggregated financial statements.

These aggregated reports must undergo an audit under a special purpose framework, aligned with International Standards on Auditing (ISA).

The audited financials must be submitted to the FTA within nine months following the end of the applicable tax period, unless an alternative deadline is specified by the Authority. The Decision is applicable to **tax periods beginning on or after 1 January 2025.**

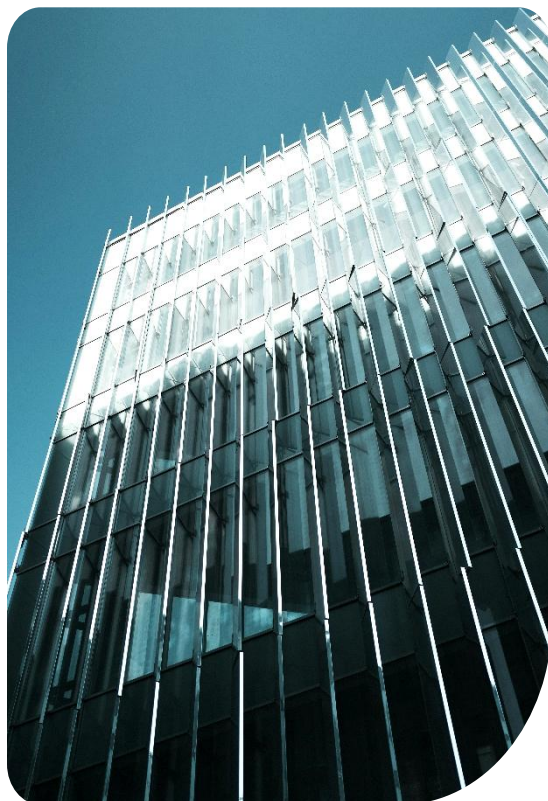
Should you need any further clarifications or details regarding this information, please contact our International Tax team – Partner [Anuj R. Kapoor](#), Tax Director [Isabel Rodriguez Alonso](#), or Tax Managers [Gel Vallar](#) and [Tammy Jones](#); and our Transfer Pricing team – Tax Director [Anna Nikolayko](#) and Tax Manager [Shiyu Renkey](#).

The UAE Federal Tax Authority (FTA) issues Taxpayer User Manual on Corporate Tax Payments

The FTA has published a comprehensive Taxpayer User Manual designed to assist businesses in managing their corporate tax obligations through the EmaraTax digital platform. This manual is tailored specifically for registered corporate taxpayers and offers a detailed walkthrough of the payment process.

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

Should you need any further clarifications or details regarding this information, please contact our International Tax team – Partner [Anuj R. Kapoor](#), Tax Director [Isabel Rodriguez Alonso](#), or Tax Managers [Gel Vallar](#) and [Tammy Jones](#); and our Transfer Pricing team – Tax Director [Anna Nikolayko](#) and Tax Manager [Shiyu Renkey](#).



The UAE Federal Tax Authority (FTA) Updates Guidance on Private Clarifications

The FTA has released an updated version of its Tax Procedures Guide for Private Clarifications (TPGPC1), dated 25 July 2025, superseding the earlier edition from November 2024. This revised document serves as a comprehensive reference for taxpayers seeking formal clarification on specific tax matters.

Purpose and Scope of the Guide:

- What constitutes a private clarification
- Eligibility criteria for submitting a clarification request
- Circumstances under which requests may be declined or not entertained
- The procedural steps involved, including required documentation, applicable fees, and refund conditions

Key Updates in the 2025 Edition:

- Integration of FTA Decision No. 2 of 2025, which refines the Authority's approach to issuing clarifications and formal guidance
- Expanded coverage on clarification requests related to Pillar Two (GloBE Rules) under international tax frameworks
- Revised timelines for the issuance of clarifications
- Enhanced clarity on rejection grounds, now distinguishing between cases where requests must be rejected and those where they may be rejected

Taxpayers can submit clarification requests through the EmaraTax portal, following the updated procedures outlined in the guide.

For further details, you can refer guide [here](#).

Should you need any further clarifications or details regarding this information, please contact our International Tax team – Partner [Anuj R. Kapoor](#), Tax Director [Isabel Rodriguez Alonso](#), or Tax Managers [Gel Vallar](#) and [Tammy Jones](#); and our Transfer Pricing team – Tax Director [Anna Nikolayko](#) and Tax Manager [Shiyu Renkey](#).

UAE Ministry of Finance (MoF) Issues Decision on Depreciation Adjustments for Investment Properties Held at Fair Value

The MoF has enacted Ministerial Decision No. 173 of 2025, establishing a framework for depreciation adjustments on investment properties measured at fair value, under the scope of Federal Decree-Law No. 47 on corporate taxation.

Eligible taxpayers may now opt to claim an annual depreciation deduction for qualifying properties. The deductible amount is calculated as the lesser of:

- 4% of the property's original acquisition cost per standard 12-month tax year (adjusted proportionally for non-standard periods or partial-year ownership), or
- The tax written down value (TWDV) at the beginning of the applicable tax period

Election Conditions:	Additional Provisions:
<ul style="list-style-type: none">○ The choice to apply this depreciation method must be made in the first tax return where the property is reported○ Once made, the election is permanent and applies to all investment properties held at fair value by the taxpayer	<ul style="list-style-type: none">○ Realization events such as sale or transfer require income adjustments to reflect previously claimed depreciation○ Anti-abuse measures are in place to regulate transactions between related parties and prevent tax avoidance

These provisions apply to tax periods commencing on or after 1 January 2025

You can refer the Ministerial Decision by clicking [here](#).

Should you need any further clarifications or details regarding this information, please contact our International Tax team – Partner [Anuj R. Kapoor](#), Tax Director [Isabel Rodriguez Alonso](#), or Tax Managers [Gel Vallar](#) and [Tammy Jones](#); and our Transfer Pricing team – Tax Director [Anna Nikolayko](#) and Tax Manager [Shiyu Renkey](#).

Tax treaties

New Tax Treaty between Russia and the UAE has Entered into Force

The new income and capital tax treaty between Russia and the United Arab Emirates, signed on 17 February 2025 and effective from 18 July 2025, replaces the limited 2011 agreement. It applies broadly to corporate and personal income and property taxes in both countries. The treaty outlines residency rules for entities, establishes a service-based permanent establishment threshold of over six months, and sets unified withholding tax rates of 10% on dividends, interest, and royalties. It also defines taxable capital gains, particularly those linked to immovable property and certain shareholdings, while gains from other assets remain taxable only in the resident state.

To prevent double taxation, both countries apply the credit method. Additionally, the treaty includes anti-abuse provisions under Article 27, denying treaty benefits if tax avoidance is a principal purpose of a transaction.

Article 30 clarifies that domestic laws on hydrocarbon taxation remain unaffected. The treaty becomes applicable from 1 January 2026, at which point the previous 2011 agreement is fully replaced.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner [Anuj R. Kapoor](#), Tax Director, [Isabel Rodriguez Alonso](#), or Tax Manager [Gel Vallar](#) and [Tammy Jones](#).

Chad's Senate Approves Pending Tax Treaty with the UAE

On 10 July 2025, Chad's Senate officially ratified the country's first income tax treaty with the United Arab Emirates, originally signed on 4 September 2018. The agreement will become effective once both nations exchange the necessary ratification documents and will retroactively apply from 1 January 2018, the year the treaty was signed.

Should you need any further clarifications and details regarding this information, please contact our International Tax Team – Partner [Anuj R. Kapoor](#), Tax Director, [Isabel Rodriguez Alonso](#), or Tax Manager [Gel Vallar](#) and [Tammy Jones](#).



Kingdom of Saudi Arabia

Tax treaty

Tax Treaty between Qatar and Saudi Arabia Enters into Force

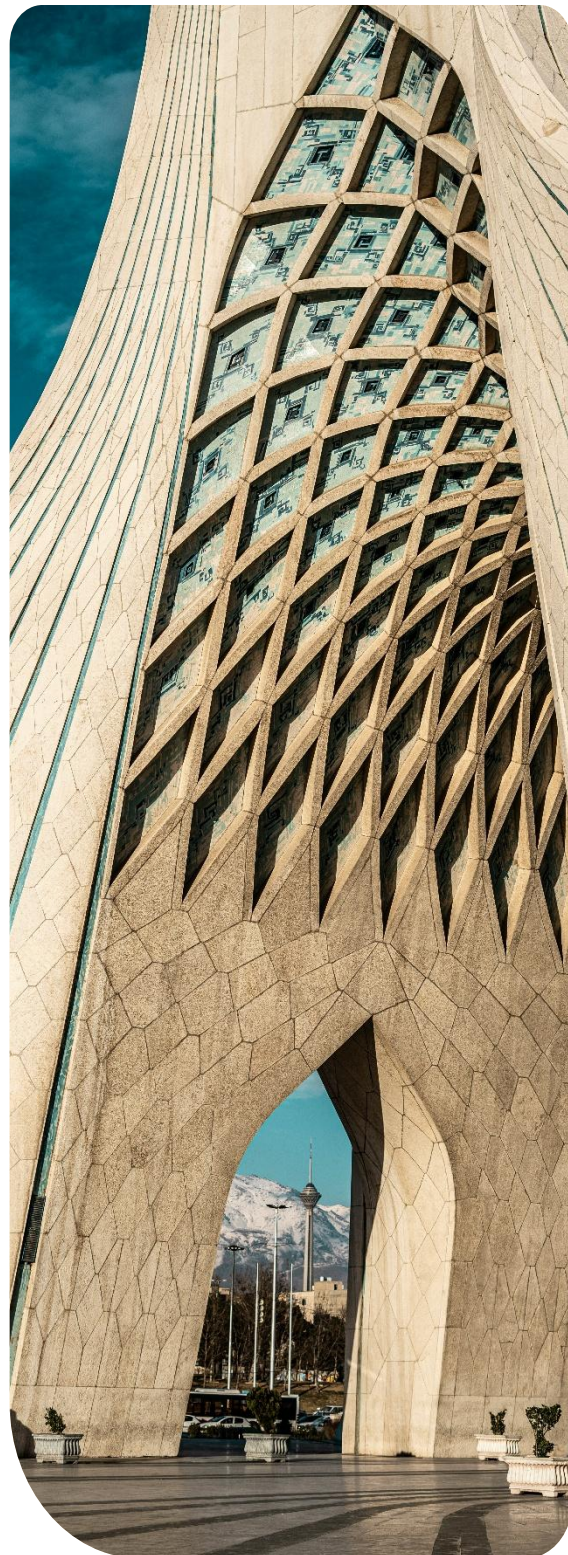
The income tax treaty between Qatar and Saudi Arabia, signed on 30 May 2024, officially entered into force on 1 January 2025.

As the first agreement of its kind between the two nations, it covers Qatari income taxes and Saudi income tax and Zakat. It defines residency rules for entities, establishes permanent establishment thresholds for service activities (over 183 days) and natural resource operations (over 30 days), and sets withholding tax rates of 5% on dividends, 0% on interest, and 8% on royalties and technical service fees. Capital gains may be taxed by the other state under specific conditions, particularly when linked to immovable property or substantial shareholdings.

To eliminate double taxation, Qatar applies the exemption method while Saudi Arabia uses the credit method. The treaty includes anti-abuse provisions under Article 29, denying benefits if tax avoidance is a principal purpose of a transaction. It also stipulates that entities with dual residency must be resolved by mutual agreement, or they may be denied treaty benefits.

The treaty will apply from 1 January 2026, replacing any prior arrangements.

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 Treaty Between Kuwait and Saudi Arabia has Entered into Force

The income tax treaty between Kuwait and Saudi Arabia, signed on 4 December 2024 and effective from 1 August 2025, marks the first such agreement between the two nations. It covers Kuwaiti income taxes and Saudi income tax and Zakat and establishes rules for determining residency of entities through mutual agreement. If no agreement is reached, treaty benefits may be denied. A permanent establishment is triggered when services are provided for over 183 days within a 12-month period.

Withholding tax rates under the treaty are set at 5% for dividends, 0% for interest, and 10% for both royalties and technical service fees. Capital gains may be taxed by the other state under specific conditions, including gains from immovable property, business assets of a permanent establishment, and certain shareholdings. Gains from other property remain taxable only in the resident state. Both countries apply the credit method to eliminate double taxation.

The treaty includes anti-abuse provisions under Article 29, denying benefits if tax avoidance is a principal purpose of a transaction unless consistent with the treaty's intent.

It will apply from 1 January 2026, aiming to enhance cross-border investment, reduce tax burdens, and strengthen economic cooperation between Kuwait and Saudi Arabia.

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](#).



Corporate tax

Bahrain Issues Guidance on Domestic Minimum Top-up Tax Advance Payment

Bahrain's National Bureau for Revenue (NBR) has released the Domestic Minimum Top-Up Tax (DMTT) Advance Payment Manual, providing comprehensive guidance for large multinational enterprise (MNE) groups operating in Bahrain. Effective from 1 January 2025, the DMTT imposes a 15% minimum tax on MNEs with consolidated revenues of at least EUR 750 million in two of the last four fiscal years. The manual outlines the procedures for estimating and remitting quarterly advance payments via the NBR portal, including step-by-step instructions for form submission and payment processing. Filing Constituent Entities (CEs) must declare and settle their advance payments within 60 days of each three-month period, with penalties applicable for late submissions.

Entities that qualify for specific exclusions, such as the Transitional Safe Harbour, De Minimis, or Initial Phase of International Activity are exempt from making advance payments. However, if an entity's circumstances change and it no longer qualifies for the selected exclusion, it must update its registration and begin fulfilling its payment obligations.

The manual emphasizes the importance of maintaining internal documentation, including estimation methodologies and financial assumptions, to support compliance and facilitate audits. Even entities with zero liability must submit the advance payment form, clearly indicating their status.

To ensure compliance, MNE groups are advised to establish robust governance frameworks, reassess eligibility for exclusions regularly, and adhere to statutory deadlines. For the transitional year, the first advance payment is deferred, with the second quarter's payment due by 31 August 2025. Payments can be made through Bahrain's national portal or Fawateer services using a reference number generated upon form submission. The NBR's updated administrative guide also includes illustrative examples to assist with computations, reinforcing the need for consistent and defensible estimation methods throughout the fiscal year.

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

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

Kuwait Issue Executive Regulations for Supplementary Domestic Minimum Top-Up Tax and Transfer Pricing Requirements

Kuwait's Ministry of Finance has issued Ministerial Resolution No. 55 of 2025, which sets out the executive regulations for implementing the Domestic Minimum Top-Up Tax (DMTT) introduced under Decree-Law No. 157 of 2024.

Effective from 1 January 2025, the DMTT imposes a 15% minimum tax on the profits of multinational enterprise (MNE) groups operating in Kuwait with global consolidated revenues of at least EUR 750 million in two of the previous four fiscal years. The regulations provide detailed guidance on tax registration, return filing, income computation, and compliance procedures. They also align closely with the OECD's Pillar Two GloBE rules, incorporating safe harbors, substance-based income exclusions, and anti-avoidance measures.

A significant feature of the new regulations is the formal introduction of transfer pricing (TP) rules in Kuwait. These rules require MNEs to conduct all related-party transactions at arm's length, using methods consistent with OECD guidelines, such as the Comparable Uncontrolled Price, Resale Price, Cost Plus, Transactional Net Margin, and Profit Split methods. Entities must maintain comprehensive TP documentation, including a master file and local file, both of which must be submitted within 30 days upon request by the tax authority. Additionally, an audited TP disclosure form must be filed with the annual tax return. The definition of "related persons" is broad, covering entities or individuals with 50% or more ownership, control, or influence.

The executive regulations also clarify the treatment of permanent establishments (PEs), the computation of GloBE income, and the interaction of the DMTT with other Kuwaiti tax regimes. Notably, entities subject to the DMTT are excluded from Kuwait's corporate income tax, zakat, and other local tax laws. The rules also introduce transitional safe harbors and tax reliefs for MNEs in the initial phase of international activity. These measures aim to ease the compliance burden while ensuring Kuwait's alignment with global tax standards and enhancing transparency in cross-border business operations.

Should you need any further clarification and details regarding this update, please contact our GT Kuwait Tax Team – Tax Partner [Hazem Al-Agez](#) or Tax Manager [Karim Ezz El-Din](#).

Tax treaties

Amending Protocol to Tax Treaty between Austria and Kuwait

On 17 June 2025, Austria and Kuwait signed their first protocol amending the 2002 income and capital tax treaty, introducing several key updates to align with international standards. The revised preamble reflects BEPS principles, and Article 10 now imposes a general 10% withholding tax on dividends, with exemptions for government entities and companies holding at least 10% of the paying company's capital. Austria will now apply the credit method for eliminating double taxation under Article 23, replacing the previous exemption method. Additionally, Article 25 was updated to require that mutual agreement procedure cases be initiated within three years of the first notification of a disputed tax action.

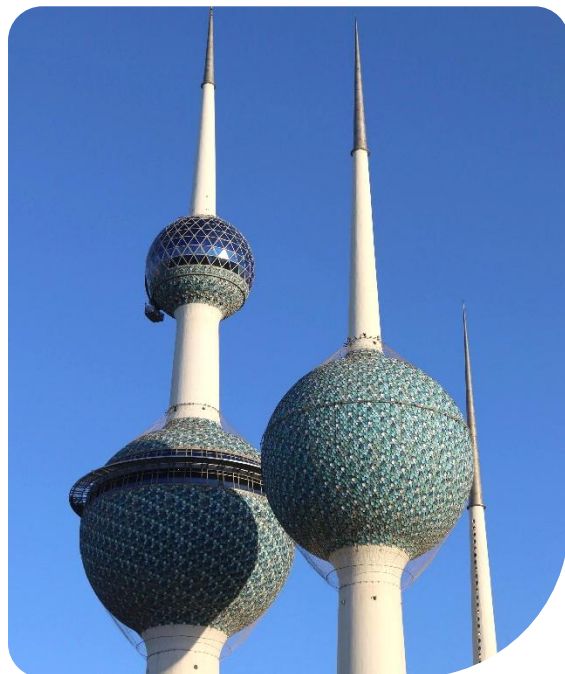
Further changes include the replacement of Article 26 to meet OECD standards for information exchange and the addition of Article 27A, which introduces a principal purpose test to prevent treaty abuse. A new paragraph was also added to the final protocol to clarify that the treaty does not restrict either country from applying domestic legislation on minimum taxation for multinational enterprises, in line with the GloBE Model Rules under Pillar Two. These amendments collectively enhance transparency, prevent tax avoidance, and modernize the treaty to reflect evolving global tax norms.

Should you need any further clarification and details regarding this update, please contact our GT Kuwait Tax Team – Tax Partner [Hazem Al-Agez](#) or Tax Manager [Karim Ezz El-Din](#).

Kuwait Ratifies Amending Protocol to Pending Tax Treaty with Tajikistan

On 3 August 2025, Kuwait officially ratified Decree-Law No. 91 of 2025, which approves the amending protocol to its pending income and capital tax treaty with Tajikistan. The original treaty was signed on 23 June 2013, and the protocol to amend it was signed on 3 November 2024. This ratification marks a significant step in strengthening bilateral tax cooperation and aligning the treaty with updated international standards and practices.

Should you need any further clarification and details regarding this update, please contact our GT Kuwait Tax Team – Tax Partner [Hazem Al-Agez](#) or Tax Manager [Karim Ezz El-Din](#).



Corporate tax

An Update on Oman Introducing Personal Income Tax in 2028

Oman has officially introduced its Personal Income Tax Law through Royal Decree No. 56/2025, published in the Official Gazette on 30 June 2025. The law will take effect from 1 January 2028 and imposes a 5% tax on the net income of individuals exceeding OMR 42,000 annually. It applies to both residents and non-residents, with residents taxed on global income and non-residents taxed only on income earned within Oman.

A person is considered a resident if they spend more than 183 days in Oman during the tax year. The law defines taxable income broadly, including salaries, self-employment, rental income, dividends, capital gains, pensions, and more.



Taxpayers must file electronic returns within six months of the end of the calendar year, and employers are responsible for withholding and remitting taxes on certain types of income. For income not paid by employers, legal entities must withhold 20% of the tax due on amounts exceeding OMR 20,000, and 100% for non-residents. The law allows for standard deductions, such as 15% for self-employment and rental income, or actual expenses incurred. Losses from specific income sources can be carried forward for up to five years. Foreign tax credits are permitted but cannot be carried forward. The law also introduces various exemptions and deductions, including those for education, healthcare, donations, and housing-related expenses. It aligns with Oman Vision 2040 by aiming to diversify revenue sources and reduce reliance on oil, while promoting social equity.

The Tax Authority will issue executive regulations within one year and has developed an electronic system to support compliance. Training programs and guidance manuals are being rolled out to ensure smooth implementation. Notably, the exemption threshold ensures that around 99% of Oman's population will not be subject to the tax.

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

Tax treaties

Oman and the Philippines Agree to Finalize Tax Treaty

On 14 July 2025, officials from Oman and the Philippines met in Manila to sign a mutual visa waiver agreement for holders of diplomatic, special, and service passports. The agreement was formalized during a meeting between Sayyid Badr bin Hamad al Busaidi, Oman's Foreign Minister, and Maria Theresa Lazaro, the Philippines' Secretary of Foreign Affairs. This move is part of a broader effort to strengthen bilateral relations, facilitating easier official travel and fostering deeper cooperation across political, economic, and humanitarian domains.

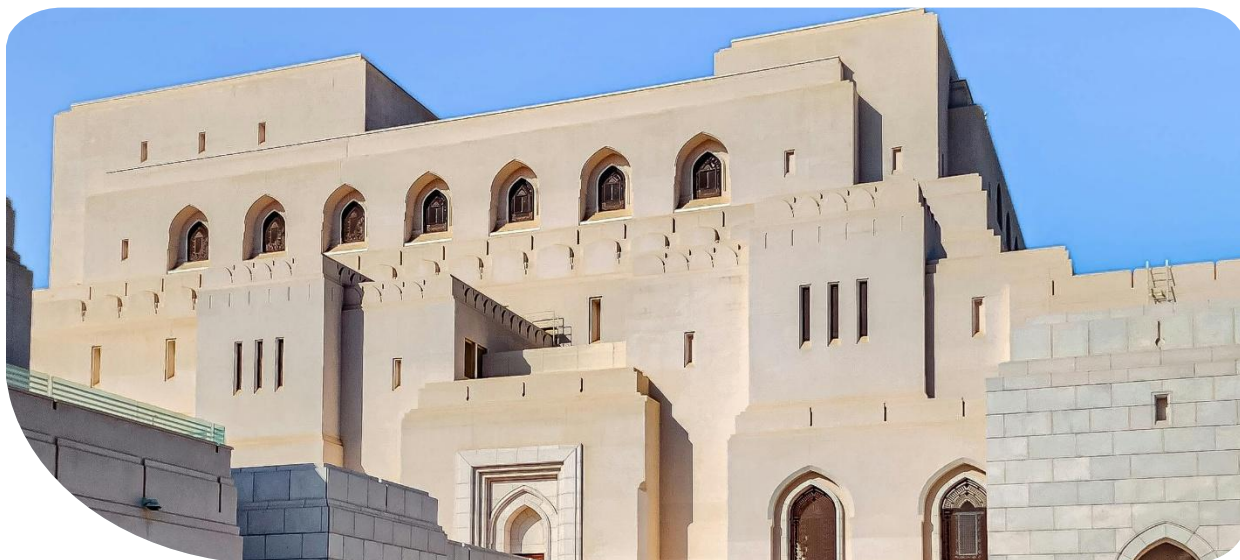
Should you need any further clarification and details regarding this update, please contact our Head of Advisory - GT Oman [Badar Al Hashmi](#).

Luxembourg Ratifies Pending Tax Treaty with Oman

On 7 July 2025, Luxembourg officially published the Law of 4 July 2025 in its Official Gazette, confirming the ratification of its first income and capital tax treaty with Oman. This treaty, originally signed on 16 October 2024, aims to eliminate double taxation and prevent tax evasion and avoidance between the two countries. The legislative process included favourable opinions from Luxembourg's Council of State and Chamber of Commerce, followed by approval from the Chamber of Deputies on 25 June 2025.

The treaty will enter into force once both Luxembourg and Oman exchange their ratification instruments. Its provisions will then apply starting from 1 January of the year following the date of 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](#).



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

© 2025 Grant Thornton UAE. All rights reserved.

Grant Thornton refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Disclaimer

The information contained in this document is provided for general information purposes only and should not be construed as advice. It does not take into account specific objectives, circumstances, or needs. Before acting on any information, recipients should seek appropriate professional advice.

