



Tax Newsletter

March 2025



Landscape

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

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Value-Added Tax

The Federal Tax Authority ('FTA') released a Public Clarification following the Amendments to the VAT Executive Regulation

The Federal Decree-Law No. 8 of 2017 on Value Added Tax (VAT) and its Executive Regulation have undergone significant amendments through Cabinet Decision No. 100 of 2024, effective from 15 November 2024. The FTA has now released Public Clarification VATP040, to further clarify certain amendments and their application.

Key Clarifications

- **Financial Services (Article 42):**
 - Islamic financial arrangements are now linked to relevant commercial laws.
 - Investment fund management services may qualify for VAT exemption if a relevant UAE authority licenses the fund.
 - The transfer of virtual assets (e.g., cryptocurrencies) is exempt from VAT if supplied from January 1, 2018, onwards.
 - Crypto asset storage and management (e.g., crypto wallets) are taxable when supplied in the UAE for a fee.
 - VAT exemptions apply only if the conditions of Article 42(3) are met; listing under Article 42(2) alone is insufficient.
- **Zero-Rating of Exported Goods and Services (Articles 30 & 31)**
 - Zero-rating of exports of goods before 15 November 2024 remains subject to the documentary evidence required under Article 30 of the Previous Executive Regulation, prior to the amendment.
 - FTA can decide to reject documents that do not sufficiently demonstrate that the goods have exited the UAE. For example, cases where the text is not legible, or the particulars required under Article 30(5) of the Executive Regulation cannot be determined based on the documents submitted.
- **Input Tax Recovery on Health Insurance (Article 53)**
 - The clarification allows businesses to recover VAT on health insurance costs (subject to satisfaction of prescribed criteria), regardless of whether the insurance is legally mandated.
 - Both direct and indirect health insurance provisions are covered under this clarification.
 - Health insurance premiums paid before 15 November 2024 in respect of the period covered after 15th November 2024 - VAT incurred on the portion relating to the period after 15 November may be recovered provided the relevant supporting documents are retained.

- **Tax Apportionment and Standard Method (Article 55)**

- Review and document input tax recovery methods to ensure compliance.
- Businesses should apply the standard method calculation outlined in the Input Tax Apportionment VAT Guide (“VATGIT”)

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

For our detailed guidance on the Public Clarification, 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](#).



The Federal Tax Authority ('FTA') Introduces Extended Deadlines for Tax Assessment Review or a Request for Reconsideration

Effective from 1 March 2025, the FTA has issued Decision No. 1 of 2025 outlining the cases in which the deadlines for submitting a Tax Assessment Review request or a request for Reconsideration may be extended. This decision aims to provide clarity and flexibility for taxpayers facing unforeseen circumstances.

Extension of Deadlines

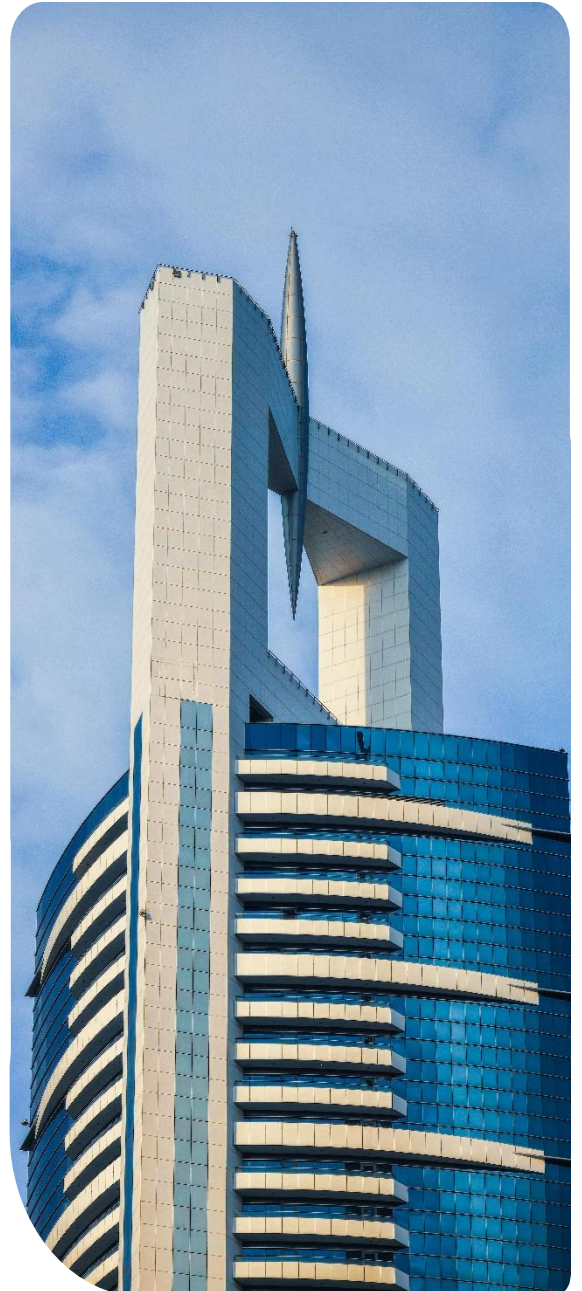
The FTA may approve extensions based on documentary evidence in cases such as accidents or serious illnesses of the authorised signatory, death of the authorised signatory or their family members, temporary business disruptions beyond the taxpayer's control, damage to records due to disasters, general malfunctions in the Authority's systems, sudden discontinuation of business records due to new computer systems, requests for additional documents from the taxpayer, and force majeure events determined at the Authority's discretion.

Rejection of Extensions

The decision also specifies cases where extensions will be rejected, including taxpayer's being unawareness of obligations, delays caused by negligence of third parties relied upon by the taxpayer, complexity in the topic of the request, and the applicant being busy running their business.

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](#).



The Ministry of Finance ('MoF') has released the Application of Reverse Charge Mechanism on Precious Metals and Stones

Effective from 15 February 2025, the MoF has released Cabinet Decision No. 127 of 2024 which introduces a Reverse Charge Mechanism for transactions involving precious metals and stones between VAT registrants.

Under this mechanism, the responsibility for accounting for VAT shifts from the supplier to the recipient. The recipient must provide a written declaration of their intent to resell the goods or use them in manufacturing and is responsible for accounting for the VAT on the transaction. The supplier must verify the recipient's VAT registration status and retain the written declarations for verification purposes.

The goods covered by this decision include precious metals such as gold, silver, palladium, and platinum, as well as precious stones like natural and synthetic diamonds, pearls, rubies, sapphires, and emeralds. Jewelry where the value of precious metals and stones exceeds other components are also included.

This decision repeals Cabinet Decision No. 25 of 2018 on VAT for gold and diamonds, along with any conflicting provisions. The Minister of Finance will issue necessary decisions for the implementation of this mechanism.

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](#).



The Ministry of Finance ('MOF') has updated the Accreditation of e-Invoicing Service Providers

The MoF has updated its website outlining the eligibility criteria and accreditation procedure for service providers under the Electronic Invoicing System. E-invoicing service providers are now invited to submit their applications via the [Ministry of Finance's official website](#). The website also features a comprehensive [step-by-step guide](#) and [Frequently Asked Questions](#) to assist service providers throughout the process.



Key Points:

While this update is primarily directed at service providers, it highlights the imminent implementation of e-invoicing in the UAE and businesses are advised to start planning for e-Invoicing as soon as possible. The MoF appears to be on track to meet the July 2026 deadline for the first phase of implementation. The key takeaways as we move towards a more definitive scenario of e-invoicing implementation are as follows:

- **Submission Process:** Service providers must submit their application to the MoF, demonstrating eligibility and readiness. This is followed by rigorous pre-approval testing, a production trial run, and pre-approval certification, ensuring accurate tax data reporting. The whole process timeline is estimated to be 90 working days.
- **UAE Trade License and Corporate Tax Registration:** ASPs must be UAE-registered companies and registered for Corporate Tax, though VAT registration is not mandatory.
- **Eligibility Requirements:** Applicants must hold Open Peppol membership and certification, have at least two years of experience in managing an Electronic Invoicing System, and meet specific financial and operational criteria.
- **Documentation:** Submission of audited financial statements and ISO 22301 certification for business continuity is mandatory.

This accreditation process marks a significant advancement in the UAE's digital infrastructure, reinforcing the nation's commitment to innovation and efficiency in tax administration. Grant Thornton is proud to be part of this transformative journey, contributing to the development of a robust e-invoicing system that benefits businesses and the government alike.

For further details on how we can support you with e-invoicing, please contact [Imran Mushtaq](#), [Kabir Dhawan](#), [Harsh Bhatia](#), and [Gouban Gopal](#).

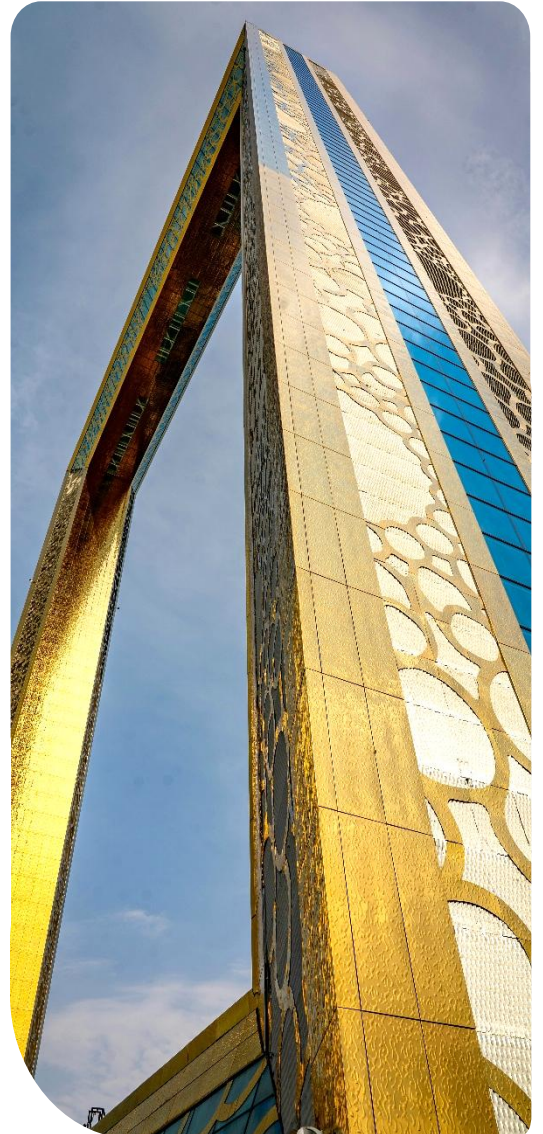
Corporate Tax

UAE Updates on Directives on Advance Pricing Agreements

On 3 March 2025, the Federal Tax Authority ('FTA') published FTA Decision No. 2 of 2025 on FTA Policy for Issuance of Clarifications and Directives ('[Decision](#)'). This Decision is effective from 1 March 2025. In Section IV (3) of the Decision, a mechanism was provided for issuing directives through unilateral Advance Pricing Agreements ('APAs').

The Decision provides that the applications for unilateral APAs will be accepted starting from the 4th quarter of 2025. The date of receiving any other APA applications¹ will be announced subsequently. While this policy provides the general framework for clarifications and directives, the FTA will specify the processes and details in due course.

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](#) or, Associate Tax Director [Tatiana Stupenkova](#); and our Transfer Pricing team – Tax Director [Anna Nikolayko](#).



UAE Federal Tax Authority ('FTA') Urges Natural Persons to Promptly Register for Corporate Tax Before End of March 2025

FTA has urged individuals classified as "natural persons" under the Corporate Tax regulations to complete their Tax Registration by the end of March 2025. Missing this deadline would breach tax laws and lead to a fine of AED 10,000. The FTA clarified that anyone operating a business in the UAE during 2024 or later years, with a turnover surpassing AED 1 million, is considered a Taxable Person. These individuals must register for Corporate Tax by March 31 of the year following the one in which their income exceeded AED 1 million. This step ensures compliance with tax obligations.

A "natural person" refers to any living individual, regardless of age or residency, engaging in business activities in the UAE. This includes sole proprietors and partners in joint ventures. The first tax period applicable to such individuals is the calendar year 2024.

If revenue exceeds AED 1 million by 31 July 2024, the registration must be completed by 31 March 2025. Additionally, Corporate Tax Returns need to be filed by 30 September 2025. Failure to register within the specified timeframe will result in an administrative penalty of AED 10,000. This statement reflects the FTA's commitment to enhancing clarity and enforcing tax regulations.

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](#) or, Associate Tax Director [Tatiana Stupenkova](#); and our Transfer Pricing team – Tax Director [Anna Nikolayko](#).

UAE Federal Tax Authority Updates Policy on Issuing Clarifications and Directives

The UAE Federal Tax Authority (FTA) has published an English version of Decision No. 2 of 2025, which took effect on 1 March 2025. This decision updates previous policies regarding clarifications and directives, introducing new methods for issuing guidance and administrative rulings.

The updated processes include provisions for both private and public clarifications, along with guides and e-learning resources. It also outlines procedures for directives, such as administrative exception rulings, input tax apportionment decisions, and advance pricing agreements (APAs). Notably, if a public clarification or guide addresses the same issue as a private clarification, the private clarification will become invalid as of the release date of the public clarification or guide.

Additional revisions focus on input tax apportionment, enabling taxable persons to request FTA approval to use recovery rates based on calculations from the prior tax year to determine recoverable input tax during any tax period.

Regarding APAs, applications for unilateral advance pricing agreements will be accepted starting in the fourth quarter of 2025, with timelines for other APA submissions to be announced later.

This decision demonstrates the FTA's ongoing commitment to enhancing transparency and efficiency in tax compliance and regulatory procedures in the UAE.

For access to the decision update, 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](#) or, Associate Tax Director [Tatiana Stupenkova](#); and our Transfer Pricing team – Tax Director [Anna Nikolayko](#).

Tax Treaties

New Tax Treaty between Russia and the UAE Signed

On 17 February 2025, representatives from Russia and the United Arab Emirates finalized a new agreement on income and capital taxation. The treaty will come into effect once the two nations exchange the necessary ratification documents. Once implemented, it will replace the previous tax treaty established in 2011, which primarily covered income and gains related to a Contracting State or its financial and investment institutions.

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](#) or, Associate Tax Director [Tatiana Stupenkova](#).

Timor-Leste to Negotiate Tax Treaty with the UAE

On 19 February 2025, the Council of Ministers of Timor-Leste authorized the negotiation of an income tax treaty with the United Arab Emirates. Any resulting treaty would be the first of its kind between the two countries and must be finalized, signed, and ratified before entering into force.

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](#) or, Associate Tax Director [Tatiana Stupenkova](#).



New Tax Treaty between Russia and the UAE: Update

On 17 February 2025, Russia and the United Arab Emirates signed a new treaty covering income and capital taxation. This agreement is set to replace the limited treaty established in 2011 and aims to provide a more comprehensive frame-work for taxation. It will become effective after the ratification documents are exchanged, with its provisions applied starting January 1 of the year following its enforcement.

Taxes Covered

The treaty encompasses Russian corporate income tax, personal income tax, corporate property tax, and personal property tax, as well as UAE income tax and corporate tax.

Residence Rules

For entities deemed residents in both countries, the treaty empowers the respective authorities to resolve residency status through mutual agreement. Factors considered include the place of effective management and incorporation. In cases of unresolved residency, treaty benefits will be denied unless otherwise agreed upon by the authorities.

Service Permanent Establishment (PE)

The treaty establishes that a permanent establishment arises if a company provides services through employees or other personnel in a Contracting State for more than six months within any 12-month period for the same or related project.

Withholding Tax Rates

The treaty sets uniform withholding tax rates of 10% for dividends, interest, and royalties.

Capital Gains

Capital gains may be taxed by the other Contracting State if they involve:

- Immovable property located in that State;
- Movable property tied to a permanent establishment in that State; or
- Shares or interests deriving over 50% of their value from immovable property in that State, unless publicly trad-ed and minimally owned.

Other capital gains are taxable only in the taxpayer's home State.

Double Taxation Relief

Both countries adopt the credit method to eliminate double taxation under the treaty.

Entitlement to Benefits

The treaty includes anti-abuse provisions. Benefits will not be granted if obtaining them was a primary motive behind an arrangement, unless it aligns with the treaty's objectives.

Hydrocarbons Income

A specific provision allows both countries to continue applying domestic tax laws regarding income from hydrocarbons and related activities, unaffected by the treaty's terms.

Once ratified, the treaty will apply from 1 January of the subsequent year. The 2011 agreement will cease to be effective upon the implementation of the new treaty. This new framework underscores the commitment of Russia and the UAE to enhance fiscal cooperation and promote economic ties.

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](#) or, Associate Tax Director [Tatiana Stupenkova](#).

Tax Treaty between Greece and the UAE Terminated

The Greek Public Revenue Authority (AADE) has announced that the 2010 tax treaty with the United Arab Emirates officially ended on 18 December 2024. This follows Article 30 of the treaty, which stipulated a 10-year validity period. With the treaty's expiration, domestic tax laws have been applicable as of 18 December 2024.

For further information, 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](#) or, Associate Tax Director [Tatiana Stupenkova](#).



Saudi Arabia Tax Updates

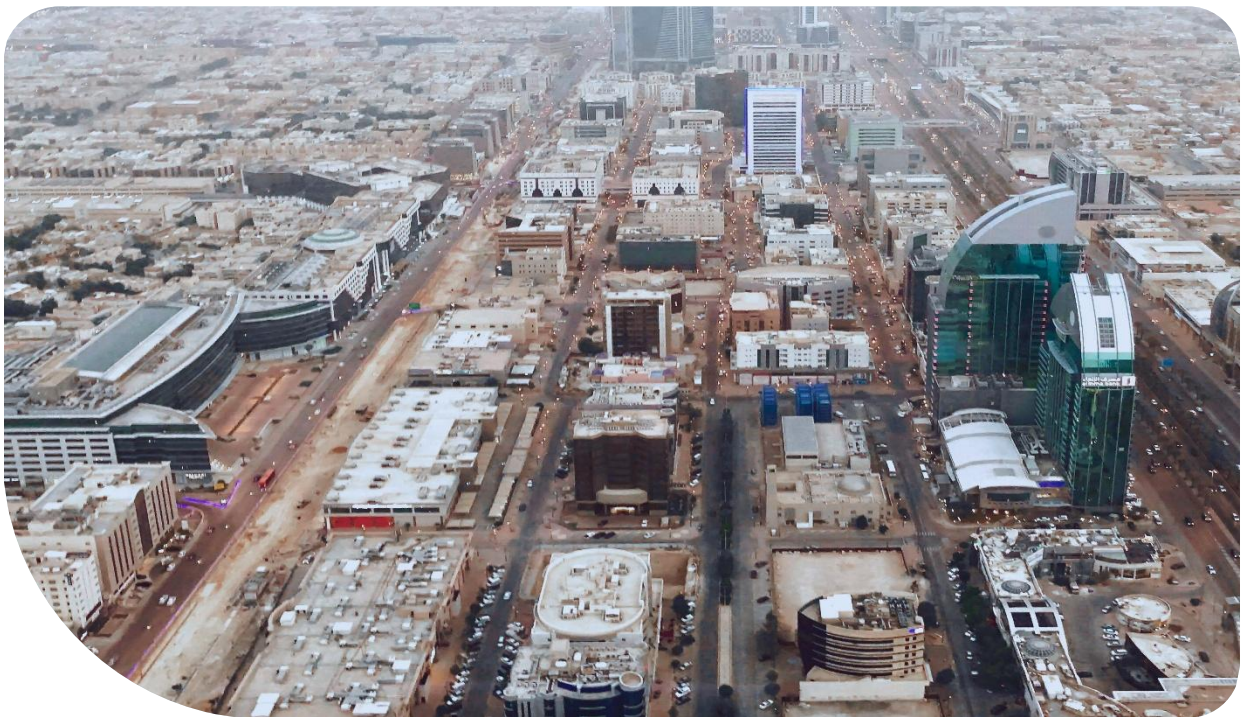
Value-Added Tax

The Zakat, Tax and Customs Authority ('ZATCA') sets guidelines for selecting Taxpayers in Wave 21 for implementing the Integration Phase of E-invoicing

On the 4 March 2025, the Zakat, Tax and Customs Authority (ZATCA) announced its 20th wave of taxpayers for implementing the Integration Phase (Phase 2) of E-invoicing, which now includes taxpayers whose revenues subject to VAT exceed 1.25 million Saudi Riyals (SAR) during the tax years 2022 or 2023. The taxpayers who meet the criteria should integrate their E-invoicing solutions with the FATOORA platform no later than 30 November 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	Date Awaited
16 th Wave	Exceeds SAR 3 Million	1 April 2025	30 June 2025	Date Awaited
17 th Wave	Exceeds SAR 2.5 Million	1 May 2025	31 July 2025	Date Awaited
18 th Wave	Exceeds SAR 2 Million	1 June 2025	31 August 2025	Date Awaited
19 th Wave	Exceeds SAR 1.75 Million	1 July 2025	30 September 2025	Date Awaited
20 th Wave	Exceeds SAR 1.5 Million	1 August 2025	31 October 2025	Date Awaited
21 st Wave	Exceeds SAR 1.25 Million	1 September 2025	30 November 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](#).

The Zakat, Tax and Customs Authority ('ZATCA') releases the Tax Bulletin on the VAT Refund for Donors

On 17 February 2025, ZATCA issued a tax bulletin outlining the mechanism, requirements, and obligations for applying for VAT refunds on expenses incurred by donors for Public Benefit Projects, as per Article 70(a) of the KSA VAT Implementing Regulations.

Public Benefit Projects Definition: ZATCA has specified that VAT refunds apply to projects that involve the establishment, construction, demolition and reconstruction, restoration, or expansion of mosques, health centers, educational facilities, and similar public benefit projects. The project must be fully donated to the competent authority in Saudi Arabia upon completion.



Eligibility for VAT Refund:

- The donor must register with ZATCA as an 'Eligible Person' to qualify for the refund.
- The donor is required to submit a contract/agreement between themselves, the competent authority, or a third party.
- ZATCA retains discretionary power to approve or reject applications for VAT refunds.

Application Timeline:

- Donors must submit their VAT refund application within six (6) months from the end of the calendar year in which the expense was incurred.
- Any failure to file within this timeline will result in the loss of eligibility for the VAT refund.
- **Important Update:** Donors can also claim VAT incurred on qualifying projects since VAT introduction in 2018, provided they submit their refund application before June 30, 2025.

This initiative by ZATCA is a welcome move and is expected to encourage charitable activities and donations for public benefit projects. We encourage all eligible donors to review their VAT records and take the necessary steps to submit their claims before the deadlines.

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

Saudi Arabia Introduces Beneficial Ownership Reporting Requirements

Saudi Arabia's Ministry of Commerce has announced the implementation of new beneficial ownership reporting requirements as part of the revamped Commercial Registry system, effective April 3, 2025. These requirements align with the guidelines set by the Financial Action Task Force (FATF).

For the purpose of the new requirements, a beneficial owner is defined as a natural person who:

- directly or indirectly holds at least 25% of a company's capital;
- directly or indirectly controls at least 25% of a company's voting rights;
- has the ability to appoint or dismiss a company's director or the majority of its board members or its chairman;
- has the ability to directly or indirectly influence a company's decisions; or
- is the statutory (legal) representative of a legal person that meets any of the above criteria.

If no individual meets the above criteria, the company's director, board member, or chairman is considered the beneficial owner.

All businesses operating in Saudi Arabia, including foreign entities, must disclose beneficial ownership details during registration and confirm the information yearly. Companies are also required to maintain a special register for this purpose. However, exemptions apply to publicly listed joint-stock companies, state-owned enterprises, and companies undergoing bankruptcy liquidation. Existing companies must comply by their next annual data confirmation deadline.

Non-compliance with these requirements could result in penalties of up to SAR 500,000 or other legal sanctions under the Companies Law.

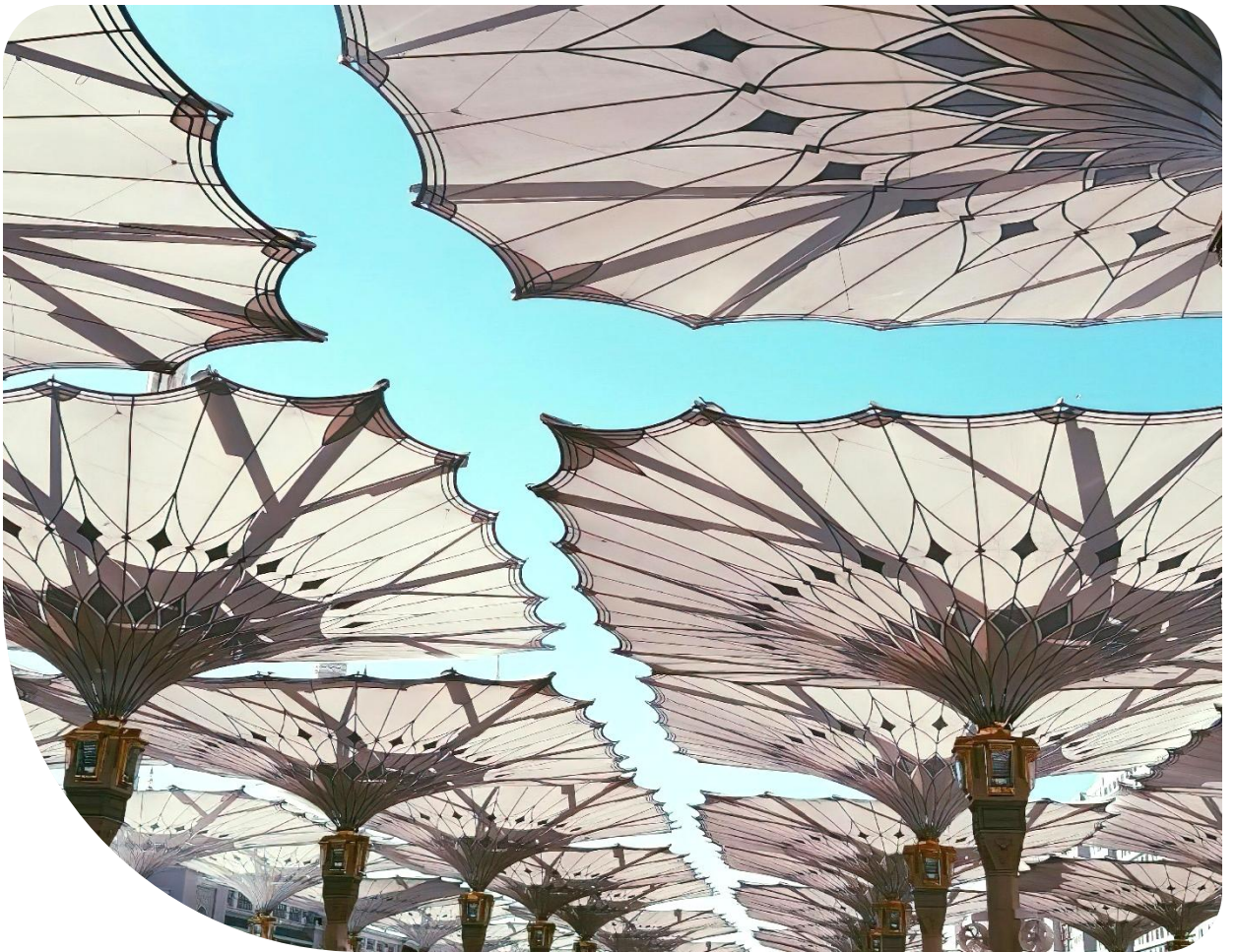
Should you need any further clarification and details regarding this update, please contact our GT KSA Tax Team – Head of Tax [Adel Daglas](#) or Tax Director [Mohammad Huwitat](#).

The Zakat, Tax and Customs Authority ('ZATCA') Extends Deadline for Zakat Application Under Updated Regulations

Saudi Arabia has issued an amendment to the Executive Regulations for Zakat Collection. Ministerial Resolution No. 947, published on 14 February 2025, extends the deadline for zakat payers to apply the Bylaws' provisions to fiscal years beginning before 1 January 2024. The new deadline is 30 April 2025, offering more time for zakat payers to evaluate the impact of the regulations, prepare applications, and comply with the provisions.

This update modifies the initial deadline set in Ministerial Resolution No. 1007, issued on 21 March 2024, which aimed to clarify zakat calculation methods and unify zakat rules. Zakat payers should consider how this extension might assist with compliance and potentially benefit their business.

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](#).



Oman Tax Updates

Oman Tax Treaties

Iraq and Oman Conclude Tax Treaty Negotiations

On 21 February 2025, officials from Iraq and Oman concluded negotiations with the initialing of an income tax treaty. The treaty is the first of its kind between the two countries and must be signed and ratified before entering into force.

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



Bahrain Tax Updates

Tax Treaties

Bahrain and Vietnam Looking to Conclude Tax Treaty

Officials from Bahrain and Vietnam met on 12 February 2025 to discuss bilateral relations, including the negotiation and signing of an income tax treaty. Any resulting treaty would be the first of its kind between the two countries and must be finalized, signed, and ratified before entering into force.

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



Qatar Tax Updates

Corporate Tax

Qatar General Tax Authority Launches Financial Penalty Exemption Initiative

In a demonstration of its ongoing commitment to fostering business growth and supporting national economic policies, the General Tax Authority has announced the launch of a 100% financial penalty exemption initiative. Effective 1 March 2025, the initiative will run for six months, subject to the applicable rules and regulations.

The General Tax Authority emphasized that the initiative is designed to alleviate financial burdens on businesses while enabling them to rectify their tax compliance status. To qualify, companies must register on the Dhareeba Tax Portal and ensure that all taxpayer data is updated. They are also required to submit all necessary tax returns and financial statements in accordance with regulations and pledge to maintain full compliance over the next three years (2026, 2027, and 2028), by submitting returns and paying tax dues on time.

Throughout the initiative's duration, eligible businesses may apply for penalty exemptions through the Dhareeba Tax Portal. The General Tax Authority will assess applications on a case-by-case basis and communicate approval decisions directly through applicants' portal accounts. By introducing this initiative, the General Tax Authority aims to enhance transparency and improve service efficiency.

The General Tax Authority invites taxpayers to review the comprehensive guideline available on its website, www.gta.gov.qa, which provides a detailed overview of the initiative's conditions, requirements, and application procedures.

This initiative demonstrates the General Tax Authority's vital role in fostering the sustainability of the national economy. By implementing a tax system that adheres to the highest standards of efficiency and innovation, the Authority actively contributes to achieving the objectives of the Third National Development Strategy, which prioritizes sustainable economic growth as a key pillar of Qatar's long-term vision.

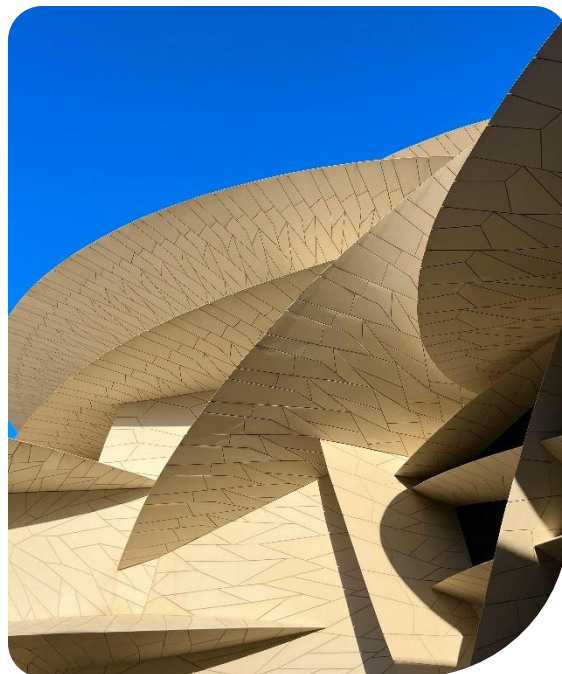
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Tax Treaties

New Tax Treaty between India and Qatar Signed

On 18 February 2025, officials from India and Qatar signed a new income tax treaty. The treaty will enter into force after the ratification instruments are exchanged and, once in force and effective, will replace the 1999 tax treaty between the two countries. Details of the new treaty will be published once available.

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](#) or, Associate Tax Director [Tatiana Stupenkova](#).



Qatar Ratifies Pending Tax Treaty with Saudi Arabia

Qatar published the decree for the ratification of the pending income tax treaty with Saudi Arabia on 13 February 2025. The treaty, signed 30 May 2024, is the first of its kind between the two countries.

Taxes Covered

The treaty covers Qatari income taxes and covers Saudi income tax and Zakat.

Residence

If a person other than an individual is considered 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 for a period or periods aggregating more than 183 days within any 12-month period.

Natural Resources PE

The treaty includes the provision that a permanent establishment will be deemed constituted when an enterprise carries on activities in connection with the exploration or exploitation of natural resources located in a Contracting State for a period or periods aggregating more than 30 days within any 12-month period.

Withholding Tax Rates

- Dividends - 5%
- Interest - 0%
- Royalties - 8%
- Fees for technical services of a managerial, technical, or consultancy nature - 8%

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 if, at any time during the 365 days preceding the alienation, the shares or comparable interests derived more than 50% of their value directly or indirectly from im-movable property situated in the other State; and
- Gains from the alienation of shares or comparable interests other than the above if, at any time during the 365 days preceding the alienation, the alienator directly or indirectly owned at least 25% of the capital of the company or entity, with the tax limited to 15% of the gains.

Gains from the alienation of other property by a resident of a Contracting State may only be taxed by that State.

Double Taxation Relief

Qatar generally applies the exemption method for the elimination of double taxation, while Saudi Arabia applies the credit method.

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 in-come 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 the benefit 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 on the first day of the second month after the ratification instruments are exchanged and will apply from 1 January of the year following its entry into force.

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](#) or, Associate Tax Director [Tatiana Stupenkova](#)



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