



Overview of changes to Middle East tax regulations

The SW Tenet team has prepared an overview of the changes that took place within Middle East tax regulations in 2025. For your convenience we have also provided links to original sources.

June 2025

New Decision on disclosure of beneficial ownership information

On 12 February the Saudi Ministry of Commerce issued Decision No. 235/1446, (hereinafter, "Decision No. 235"), which regulates the disclosure of beneficial ownership information for companies registered in Saudi Arabia (hereinafter, "KSA"). Decision No. 235 entered into force on 3 April 2025.

Under the new rules, all companies in KSA (except for those explicitly exempted) are now required to disclose and maintain information about their ultimate beneficial owners (UBOs) in a special register maintained by the KSA Ministry of Commerce. This register is not public.

Under Decision No. 235, a UBO is defined as an individual that meets one of the following criteria:

- owns directly or indirectly at least 25% of the company's share capital
- exercises direct or indirect control over at least 25% of the voting shares
- can appoint / remove the sole executive officer or a majority of collegial executive body members
- has the ability to influence the company's operational or strategic decisions

If a company does not have an UBO that meets the above criteria, the top management of the company, such as the board chairman or sole executive officer, is considered the UBO.

Companies exempt from reporting UBOs:

- state-owned companies
- public companies whose shares are traded on a stock exchange
- companies undergoing bankruptcy or liquidation proceedings
- in any other case, if the company has received permission not to enter information into the register

New companies must disclose UBO information during the registration process. Existing companies must provide information on their UBOs within one year after the date of their registration. The information is subsequently verified annually.

Any changes must be entered into the UBO register within 15 days after the date of their occurrence.

The information about UBOs that must be provided includes identification details, such as the name and nationality of the UBO, passport details for UBOs without KSA citizenship, the residential address of the UBO, mobile phone number, and email address (if available).

Companies in KSA must comply with the new rules on disclosing UBOs. The penalty for failing to provide such information is up to SAR 500,000 (approximately USD 133,000).

Decision No. 235 can be viewed [here](#) (in Arabic).

Grounds for extending the deadlines for taxpayers to submit a Tax Assessment Review Request and a Request for Reconsideration of Tax Authority Decisions

The Federal Tax Authority (FTA) has published Decision No. 1 of 2025 "Cases of Extension of the Deadlines for Accepting the Submission of a Tax Assessment Review Request or a Request for Reconsideration".

Under Article 23 of Federal Decree-Law No. 28 of 2022 "On Tax Procedures", the tax authority conducts a tax assessment to determine the

taxpayer's obligations regarding the correct calculation and payment of taxes, as well as other issues, including the timely registration for tax purposes and the submission of tax returns.

If a taxpayer disagrees with the tax assessment results, they can submit a request to review them within 40 working days after the date the tax authority sent the assessment to the taxpayer.

This procedure is an alternative to requesting a review of decisions and does not require the submission of new information or documents. The review is conducted by independent employees of the tax authority who have not participated in the initial tax assessment, and it can be initiated in the event of procedural violations or errors in tax calculations by the tax authority.

However, if the taxpayer disagrees with the decision made by the tax authority following the review of the tax assessment request, they can submit a request to have the decision reconsidered. It should be noted that such a reconsideration request can also be submitted outside the context of the tax assessment results to challenge other tax authority decisions during tax audits. In this case, the taxpayer can submit additional information and documents. The deadline for submitting a reconsideration request is also 40 working days after the date the taxpayer received the tax authority's decision.

Article 1 of Decision No. 1 of 2025 lists the following grounds for extending the deadline for submitting a request:

- an accident or serious illness befalling the person authorised to submit such a request on behalf of the taxpayer (e.g. a director acting in accordance with the company's charter or a legally appointed representative)

- the death of the authorised person or their first- or second-degree relatives (parents, children, spouses, grandparents, grandchildren)
- damage to the reporting documents as a result of an emergency
- a system malfunction at the tax authority
- a sudden interruption to the taxpayer's activities due to a new computer system being implemented
- a temporary interruption of the taxpayer's activities, which they have no control over failure to provide within the prescribed time additional documents in response to a tax authority request, if the taxpayer can prove that it was not possible to provide them within the specified time

Circumstances such as the taxpayer's lack of knowledge of their legal obligations or being preoccupied with managing their business are considered unjustified reasons and cannot serve as grounds for extending the deadline.

The [decision](#) came into force on 1 March 2025.

❖ New FAQs on DMTT

The UAE Ministry of Finance has published a list of frequently asked questions (FAQs) related to the Domestic Minimum Top-up Tax (DMTT), which came into effect on 1 January 2025. Here are some of the key points:

1. Has the legislation on DMTT received qualifying status from the OECD?

No, however, the authority expects to receive provisional qualifying status by 1 January 2026, and full qualification after the review, which is expected to begin no earlier than early 2027.

2. Why is the Cabinet Decision dated 2024 when it was published in 2025?

Legislation is dated based on when it was issued, which, for Cabinet Decision No. 142 of 2024, was

the date it was formally signed and approved by the issuing authority. While the Cabinet Decision was officially published in the Gazette in 2025, it was issued and approved by the Cabinet in 2024, which is why it bears that date.

3. Why has the Income Inclusion Rule (IIR) mechanism not been introduced in the UAE?

The UAE does not have any legislation covering the taxation of controlled foreign corporations (CFCs), therefore it was decided not to introduce this mechanism at this time, although discussions are ongoing.

For the full list of FAQs see [here](#).

❖ FTA publishes new Guide and updates Policy on Issuing Clarifications and Directives

In November of the previous year, the FTA published the Guide on Private Clarifications Tax Procedures | TPGPC1, and in February of the current year it updated the Authority's Policy on Issuing Clarifications and Directives in the edition of FTA Decision No. 2 of 2025 dated 19 February 2025.

We have analysed and assessed both documents and highlight the key points below.

Rules for using private clarifications:

1. Addressability:

Clarifications are issued to a specific taxpayer upon their request, together with the relevant documents. The clarification applies only to the specific taxpayer regarding specific issues.

2. Applicant:

Only the taxpayer can apply for a clarification, and only in relation to their own tax issues. In certain cases, members of a tax group can also submit requests, as well as tax agents and legal representatives on behalf of another person (but only if they have been previously registered with the FTA for the specific type of tax).

3. Preliminary analysis:

The FTA does not issue clarifications for requests where the taxpayer has not conducted a sufficient technical analysis of the tax positions (both primary and alternative) themselves or with the help of a consultant, including references to applicable regulations and an attachment of a consultant's report.

4. Refusal option:

The FTA may refuse to issue clarifications in certain cases. Specifically, a refusal can occur if the request does not relate to tax issues (e.g. it concerns an administrative fine or programme-related issues), does not contain enough information, or does not contain necessary documents (the Decision specifies the minimum requirements in this regard for a request). Also, a request can be refused if it addresses a hypothetical situation or if the FTA suspects that the purpose of the request is tax planning or tax evasion.

5. Procedure:

The request for clarification must be submitted through the taxpayer's personal account on the EmaraTax portal. After receiving the request, the FTA may request additional explanations or documents. Clarifications are provided in Arabic or English, depending on the applicant's preferences.

6. Deadlines:

50 working days for indirect taxes (excise taxes and VAT), 60 working days for corporate profit tax. The FTA may extend the response time.

7. Adherence to position:

A taxpayer who receives a private clarification can rely on it, and the FTA is obliged to adhere to the position stated in its decision. However, certain conditions apply. Specifically, clarifications can only be applied by the taxpayer themselves (not by third parties), the circumstances of applying the clarification must match the facts described in the request for clarification, and the FTA may limit the validity period of its clarification. In addition, the clarification loses its validity if relevant legislation changes or if public clarifications (including tax guides) with an opposing position appear.

Note: The Guide does not carry legal force and serves as a recommended document. However, the Decision does carry legal force and largely duplicates the provisions of the Guide, legally enshrining them. Companies uncertain when applying UAE tax laws may find this mechanism for obtaining clarifications useful.

Important point to consider before submitting a request:

Before submitting a request, it is important to assess the risks associated with it. In particular, after submitting a request, the FTA will have access to all the facts and documents related to the subject matter, as well as a detailed description of several positions on the contentious issue. Typically, one position should support the taxpayer's position, while the other should present arguments in favour of the FTA.

The Guide can be viewed [here](#) and the Decision [here](#).

❖ Amendments to VAT Executive Regulations

The FTA has issued VAT Public Clarification №VATP040, which provides insights into recent amendments to the Executive Regulations on VAT (as amended by Cabinet Decision No. 100 of 2024). We have analysed the Clarification and highlight below the most salient changes:

Changes in treatment of virtual assets:

Conversions or transfers of virtual assets (including cryptocurrencies). These transactions are not subject to VAT, retroactively effective from 1 January 2018. This includes activities such as buying and selling cryptocurrencies on exchanges. Virtual assets (Bitcoin, Ethereum, etc.) are considered digital currencies, but not fiat currencies. Cryptocurrencies are considered a type of virtual asset, but are not considered money. However, storing or managing virtual assets (e.g. using cryptocurrency wallets) is subject to VAT if done for a fee.

Changes in export procedures:

Export documentation. For export transactions, the tax authorities have clarified that from 15 November 2024 export documents from customs authorities are no longer the only proof of export. Export customs declarations from the relevant emirate, or official documents from the destination country confirming the import of goods, can also be used as evidence. These documents must be stamped or sealed and translated into Arabic or English.

Changes for employers:

Medical insurance for employees. Employers can now claim input VAT on medical insurance premiums paid for employees, including coverage for spouses and children aged under 18. This applies to insurance policies purchased starting 15 November 2024, whether directly from the insurer or via a broker.

Changes in determining non-resident status for zero-rating services:

For services provided to non-resident companies, it is necessary to determine if the executive body of the non-resident company (e.g. directors) spent more than 30 days in the UAE within a 12-month

period. Previously, the term was "month", but the new wording specifies "30 days". If the total number of days spent in the UAE exceeds 30, the services are considered provided to a company located in the UAE, thus disqualifying the zero-rating service.

Clarification № VATP040 can be viewed [here](#).

❖ FTA issues Administrative Exceptions Excise Tax Guide

The FTA has issued a tax guide that sets out the procedure for using alternative documents to confirm the release of excise goods for export (Administrative Exceptions Excise Tax Guide [EGAE01](#)). This procedure is available to both individuals and legal entities registered with the FTA for the purposes of paying excise taxes.

In general, exporters of excise goods must provide the following documents to confirm exports for excise tax exemption purposes:

- a customs declaration and commercial evidence that proves the export of excise goods outside the UAE, or
- a shipping certificate and official evidence confirming the export of excise goods from the UAE (or documents issued by the official authorities of the destination country confirming the import of the goods into that country), or
- a customs declaration confirming the suspension arrangement of customs duties

However, if the exporter cannot provide any of the aforesaid, they can submit a request to the FTA through the EmaraTax platform, explaining the reasons for not being able to provide the documents and attaching a sample of the alternative document they believe can confirm the export of excise goods from the UAE. The standard processing time for such requests is 40 working days. After considering the request, the FTA either approves or rejects the application. The relevant decision takes effect from the date of its approval and remains valid for a period of up to three years (or for a shorter period at the discretion of the FTA).

Excise goods in the UAE include energy drinks, carbonated drinks, sweetened drinks, tobacco, tobacco products, electronic smoking devices, and liquids for these devices. When exporting such goods outside the UAE, including re-exports through free economic zones, export documents must be prepared.

The new Guide can be viewed [here](#).

❖ Regulation of activities outside Dubai Free Zones

The Executive Council of Dubai has issued Executive Council Resolution No. 11 of 2025 regulating the Conduct of Free Zone Establishments' Activities within the Emirate of Dubai. It applies to all entities registered in Dubai Free Zones that want to conduct activities outside their registration area within the territory of Dubai, with the exception of financial entities from the Dubai International Financial Centre.

To start activities within the territory of Dubai outside a free zone, the following conditions must be met:

- a license or permit must be held, issued by the Department of Economy and Tourism in the Emirate of Dubai (hereinafter, "the Department")
- approval must be obtained from the Free Zone Licensing Authority as well as the relevant government authorities overseeing the activity to be conducted within the Emirate (if required)

- a branch license or temporary permit for up to six months must be obtained from the Department (in coordination with the Licensing Authority) for certain activities outside the Free Zone
- separate financial records must be maintained for activities within the Free Zone and outside the Free Zone (within the Emirate)
- a government fee must be paid to the Department for a temporary permit (AED 5,000) or for a license (AED 10,000)

The procedure will apply only to the approved list of activities, which must be approved within six months after the effective date of the Resolution.

The text of Resolution No. 11 can be viewed [here](#).

❖ New comments and guidelines on Global Anti-Base Erosion Rules Pillar II

The UAE Ministry of Finance has issued Decision No. 88 of 2025, which approves a list of explanations and administrative guidelines on Global Anti-Base Erosion Rules Pillar 2 for the purposes of imposing the domestic minimum top-up tax (DMTT) on multinational corporations.

This decision, which came into force on 1 January 2025, in effect confirms that the UAE adheres to the OECD approach in implementing the DMTT mechanism.

The list of OECD comments and guidelines provided under this decision can be viewed [here](#).

❖ New corporate tax guide clarifying interest deduction limitation rules

On 7 April 2025 the FTA issued a Corporate Tax Guide “Interest Deduction Limitation Rules” (“the Guide”), providing general guidance on the deductibility of interest expenditure and calculating the taxable income of a taxable person.

The Guide clarifies that the term “interest” for corporate tax purposes is quite broad. Specifically, the following payments are considered interest payments, among others:

- discounts or premiums on bonds and other debt instruments (however, other types of discounts and premiums, such as discounts for purchasing large volumes of products, discounts in marketing campaigns, share premiums, and loyalty points are not considered interest)
- payments that are economically similar to interest payments (e.g. the excess of the initial cost of a financial instrument under a repo agreement, payments under leasing operations, fees for factoring)
- currency exchange differences on debt obligations that are considered interest payments
- income or expenses from hybrid instruments (e.g. debt securities convertible into equity or not considered equity), to the extent that such instruments are not converted into equity or are not considered equity
- penalties for late payments under commercial contracts (if they are set in the form of interest)
- payments related to raising funding (e.g. fees for providing a guarantee or opening a bank credit

line, the cost of legal services and other professional services related to raising funding, the interest component of derivative contracts)

The Guide highlights that only economically justified expenses incurred by a taxpayer for business purposes and not related to capital expenditures can be taken into account in the tax base. For example, a taxpayer that has taken out a loan to purchase real estate for the company’s director cannot include interest payments on the loan in expenses. If related parties are involved in a transaction, the deduction of interest is limited to the market rate.

The Guide also provides a detailed analysis of the application of the general limitation on deducting net interest expenses. According to this limitation, if net interest expenses exceed AED 12,000,000 in the current period, the taxpayer can deduct in the current period the greater of 30% of adjusted EBITDA or AED 12,000,000. The remaining expenses are to be carried over to subsequent periods and deducted over a period of 10 years. If the company’s financial year is not 12 months, the AED 12,000,000 threshold is adjusted accordingly.

The general interest deduction limitation also applies to foreign companies with a nexus or permanent establishment in the UAE. However, if a foreign company ceases to maintain a permanent establishment in the UAE or loses its nexus, the right to carry forward interest expenses to subsequent periods is lost, even if the permanent establishment is subsequently re-established or the foreign company re-establishes a nexus in the UAE.

The Guide can be viewed [here](#).

❖ Taxation of qualifying investment funds and qualifying limited partnerships

The UAE Cabinet of Ministers recently published on the Ministry of Finance website Decision No. 34 on the taxation of qualifying investment funds (QIF), qualifying limited partnerships (QLP), and their investors. This decision replaces the previous Decision No. 81 of 2023, and applies to tax periods starting from 1 January 2025 (the previous decision remains applicable until that date).

The main conditions for QIFs (excluding real estate investment trusts, REITs) to be exempt from corporate profit tax are:

- the primary activity of QIFs is the receipt of investment income, while income from other ancillary activities should not exceed 5% of total income

- investors should not control the operational activities of QIFs
- QIFs must provide their investors with the information necessary to calculate their tax obligations based on the fund's income

In cases where a QIF is managed by an investment manager (management company), the profit earned by the QIF must be included in the taxable income of the investment manager. On the other hand, the taxable income of an investor in a QIF that is not a REIT does not include dividends received from the QIF, except for income from a QIF received by a legal entity-investor in the following cases:

- when the number of QIF shareholders is fewer than 10, and the legal entity-investor owns, either separately or jointly with related parties, 30% or more of the QIF shares
- when the number of QIF shareholders is 10 or more, and the legal entity-investor owns, either separately or jointly with related parties, 50% or more of the QIF shares
- if the real estate on the balance sheet of the QIF exceeds 10% of the fund's assets, then 80% of the income from real estate, proportional to the investor's share in the QIF's capital, is included in the taxable income of the legal entity-investor

The decision also includes specific conditions for exempting REITs (a less common type of investment fund) from taxation and QLP.

The full text of Decision No. 34 can be viewed [here](#).

❖ Determination of a non-resident person's nexus in the UAE

The UAE Cabinet of Ministers recently published Decision No. 35 of 2025 On Determining a Non-Resident Person's Nexus in the State for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses.

The decision will come into force on 1 January 2025.

Under the decision, a legal entity registered in a foreign jurisdiction is considered to have a nexus in the UAE if it derives income from any immovable property located in the UAE, such as income from a sale, disposal, assignment of rights therein, letting, etc.

The decision also sets forth a new approach for the conditions under which non-residents create a nexus for income from a qualified investment fund:

- if the entity, together with related parties, holds over 30% or 50% of the fund's capital, depending on the number of other investors, in the investment fund's capital
- if the fund holds immovable property constituting

more than 10% of the value of all its assets, and the nexus arises either on the date when the fund distributes at least 80% of its income from real estate in the form of dividends within nine months after the end of its financial year, or on the date of acquiring the share (if the fund does not distribute profits within the specified period)

The decision also specifies that if a non-resident sells or otherwise disposes of its rights in any immovable property in the UAE to another party on non-market terms, such a transaction may be deemed by the FTA as economically unjustified. In such a case, the FTA may determine the actual tax liabilities of the taxpayer, calculating the tax due.

The presence of a nexus for a non-resident entails an obligation to register for corporate profit tax with the FTA.

The new decision replaces the previously existing Decision No. 56 of 2023, which continues to apply to tax periods prior to 1 January 2025.

Decision No. 35 can be viewed [here](#).

❖ New entities required to prepare and maintain audited financial statements

The UAE Ministry of Finance has issued Decision No. 84 of 2025 on Audited Financial Statements for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, which requires additional entities to prepare audited financial statements. These include not only taxpayers with an annual revenue of over AED 50 million and qualifying free zone persons, but also tax groups (in the form of audited financial statements of special purpose).

The new decision will take effect from 1 January 2025, while previous tax periods will be governed by Decision No. 82 of 2023.

It is also clarified that qualifying free zone persons engaged in the distribution of goods or materials within or from a designated zone in accordance with the Ministry of Finance Decision No. 265 of 2023 will be subject to additional procedures to be prescribed by the FTA.

Decision No. 84 specifies that the AED 50 million revenue threshold for non-residents is calculated solely based on revenues received in the UAE through a permanent establishment or nexus in the country (specifically, income from real estate).

Decision No. 84 can be viewed [here](#).

❖ VAT public clarification

The FTA has issued VAT Public Clarification (VATP042) Value of Supply – Barter Transactions regarding the calculation of VAT in barter transactions.

In a barter transaction, two supplies occur simultaneously: one party makes a supply (or provides services) to the other, and the other party does the same for the first party. For VAT purposes, the value of the supply in a barter transaction is calculated as the market value of goods or services being transferred, less the VAT amount. If a supplier receives not only goods/services, but also monetary compensation, then for VAT purposes the value of the supply is the monetary part plus the market value of the non-monetary part of the consideration, excluding the tax amount.

A barter transaction can be taxed at a rate of 5% or 0%, or it can be outside the scope of UAE VAT (e.g. if the supply involves goods outside the UAE), or it can be subject to VAT exemption.

To determine the market value of goods or services being transferred, the respective parties should follow these principles:

1. The market value of the transferred goods or services is the monetary value that would be established if the goods or services were supplied between independent parties.
2. If the market value of the goods or services cannot be established under the first principle (e.g. due to a lack of similar sales on the market), then the market value of the supply is assessed based on the market value of comparable goods or services between independent parties.
3. If the first two principles cannot be applied to calculate the market value, then the value is determined based on the replacement cost of identical goods or services.

Each party to a barter transaction registered for VAT purposes must issue the other party with a VAT invoice, showing the VAT calculated based on the market value of the goods (services) being supplied.

The new clarification can be viewed [here](#).

❖ Waiver of penalties

The FTA has published detailed explanations on its official website regarding the conditions under which companies can waive the administrative penalty of AED 10,000 for late corporate registration for corporate profit tax purposes:

1. If a penalty has been issued but not paid, and a tax return has been submitted by the company within seven months after the end of the first tax period, the company will be exempt from the penalty.
2. If a penalty has been issued but not paid, and a tax return has not yet been submitted, the penalty will be waived if the tax return is submitted within seven months after the end of the first tax period.
3. If a penalty has been issued and paid, and a tax return has not yet been submitted, the penalty will be refunded to the taxpayer if the tax return is submitted within seven months after the end of the first tax period.

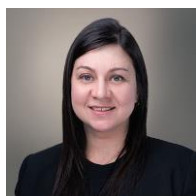
4. If a penalty has been issued and paid, and a tax return has been submitted within seven months after the end of the first tax period, the penalty will be refunded to the company's tax account.
5. If the company has not yet submitted a corporate tax registration application, then upon the completion of registration and submission of a tax return within seven months after the end of the first tax period, the penalty will be waived.

For further details see the [FTA website](#).

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- transfer pricing
- managing legal issues
- designing the operating and holding structure of a business
- registration and compliance support
- company / foundation registration; redomiciling
- advising on personal tax and administrative issues
- advising on tax implications for a company and its employees
- M&A support
- advice and support on employee relocation issues

Contacts

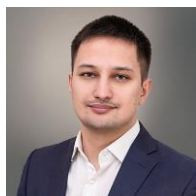


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