



## Dear Colleagues,

Welcome to our latest digest, detailing the critical tax and regulatory developments across the UAE and GCC from December 2025 through January 2026.

The new year has begun with significant momentum, particularly in the UAE, where authorities have introduced a series of key reforms affecting VAT, Excise Tax, and Corporate Tax. Highlights include the new Reverse Charge mechanism for metal scrap, a tiered excise model for sweetened drinks, and guidance on Advanced Pricing Agreements.

Beyond the UAE, regional evolution continues. Notable developments include Bahrain's announcement of a future Corporate Tax, Qatar's advancements on Pillar Two, Oman's plans for a tax-exempt financial center, and Saudi Arabia's extension of its tax amnesty program alongside key clarifications.

This edition provides updates on these and other essential changes, offering the insights you need to navigate the evolving compliance landscape.

In this edition, you will find updates on:

## UAE

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- The Ministry of Finance Issues Cabinet Decision No. 198 of 2025 Amending the UAE Excise Tax Executive Regulation
- The FTA publishes FTA Decision No 11 of 2025 on Additional Cases where Excise Tax Paid on Excise Goods may be Deducted and Controls for such Deduction
- The FTA publishes Excise Tax Public Clarification EXTP013 on the Implementation of a tiered-volumetric model of Excise Tax for Sweetened Drinks
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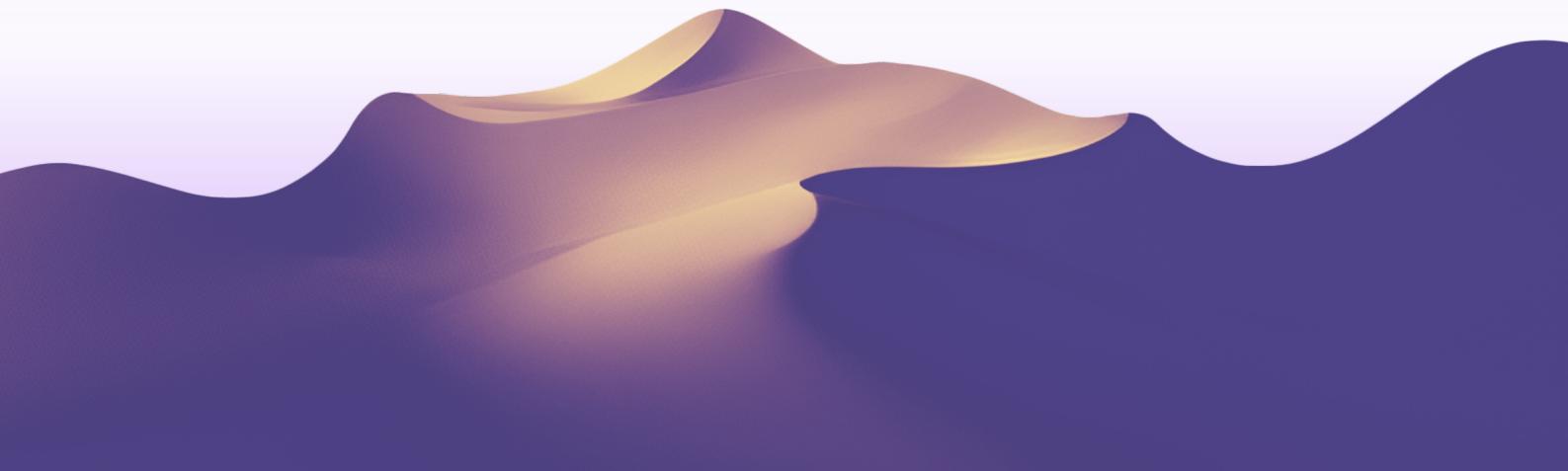
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- ZATCA Publishes a Guide on VAT rules for Electronic Marketplaces and Online Platforms

We hope you find this edition insightful and helpful as you stay informed of the latest tax, compliance, and regulatory changes shaping the region





## **The Ministry of Finance introduces Reverse Charge on Metal Scrap (Decision No. 153 of 2025)**

The UAE Ministry of Finance issued Cabinet Decision No.153/2025 introducing a reverse-charge mechanism for traded scrap metal, effective 14 January 2026.

Under this rule the VAT-registered buyer – rather than the seller – must account for VAT on scrap metal supplies.

The change, which mirrors existing reverse charges on gold and electronics, aims to strengthen revenue collection, combat evasion and promote fairness in the market. Taxpayers dealing in scrap metal will need to comply with documentation requirements under the new scheme (e.g. written declarations at time of supply).

Our team prepared a brief [overview](#) of the new rules for your consideration.

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## **UAE MoF Issues Cabinet Decision No. 198 of 2025 Amending the UAE Excise Tax Executive Regulation**

On 18 December 2025 the Cabinet issued Resolution No.198/2025 amending the Executive Regulations of the Excise Tax Decree-Law.

These amendments (effective 1 January 2026) align the regulations with recent Excise Tax Law changes, clarifying provisions on tax registration, deduction and refund eligibility, record-keeping and refunds.

The updated regulations improve procedural details for administering excise tax (for example, on electronic cigarettes and other goods) and generally enhance compliance measures.

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## **The FTA publishes Decision No 11 of 2025 on Additional Cases where Excise Tax Paid on Excise Goods may be Deducted and Controls for such Deduction**

The FTA Decision No.11 of 2025 expands the circumstances under which excise tax already paid can be claimed as a deduction. This Decision identifies additional cases (e.g. tax paid on goods later proven to be exempt or exported) where a taxable person can deduct previously incurred excise. It also sets out tighter controls and documentation requirements for such deductions. The intent is to give businesses clarity on when they may recover excise tax payments, consistent with the amended Excise Law.

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## **The FTA publishes Excise Tax Public Clarification EXTP013 on the Implementation of a tiered-volumetric model of Excise Tax for Sweetened Drinks**

Effective 1 January 2026, the UAE Federal Tax Authority (FTA) will introduce a tiered-volumetric model for calculating Excise Tax on sweetened drinks. The rules are clarified in Public Clarification EXTP013, supported by Cabinet Decision No. 197 of 2025 and FTA Decisions Nos. 10 & 11 of 2025.

The new model replaces the current 50% ad-valorem rate with fixed tax amounts per litre, based on sugar content.

### Key Excise Tax Rates (per litre) — from 1 January 2026

Category	Total sugar and other sweeteners content (per 100 ml)	Excise Tax
<b>High sugar</b>	≥ 8 g	AED 1.09 / L
<b>Moderate sugar</b>	≥ 5 g and < 8 g	AED 0.79 / L
<b>Low sugar</b>	< 5 g	AED 0 / L
<b>Artificially sweetened only</b>	Only artificial sweeteners or < 5 g sugar/sweeteners	AED 0 / L

Even zero-rated categories remain Excise Goods, meaning product registration and reporting obligations still apply.

### Laboratory Certificate Requirement

At product registration (or update), taxpayers must submit a MOIAT laboratory certificate confirming:

- sugar content;
- other sweeteners;
- artificial sweeteners;
- test results per product/flavour.

If the certificate is not provided in EmaraTax, the drink will be automatically classified as “High sugar” and taxed at AED 1.09/L until the certificate is submitted.

A single certificate can cover multiple package sizes, but each flavour requires separate testing.

### Transitional Deduction — January to June 2026

Where a product was temporarily taxed as High sugar due to missing lab results, and a later certificate shows:

- lower sugar category, or
- product is not subject to tax

Then the excess tax paid may be treated as Deductible Tax, provided that:

- the drink had not been sold when the certificate was issued;
- stock position is evidenced;

- prior declaration & tax payment are retained;
- deduction is claimed in the period ending 30 June 2026.

**Where a Taxable Person held stock of a drink and part of the stock was sold, deduction is available only in relation to the unsold stock.**

**No deduction is available if:**

- stock was already sold, or
- the certificate is obtained after 30 June 2026.

## **Concentrates, Powders, Gels & Extracts**

Sugar content will be assessed based on the ready-to-drink beverage prepared per producer instructions.

**Where instructions are unavailable, or proven inaccurate, the FTA applies a specific calculation mechanism, using:**

- sugar content per unit (lab certificate), and
- a deemed dilution ratio.

**Certain exceptions apply:**

- liquid concentrates < 5g/100 ml - Low sugar category
- concentrates containing only artificial sweeteners - Artificially sweetened category

## **Deduction Where Tax Liability Decreases After 1 Jan 2026**

Where products were taxed at 50% before the tiered model, and the new model results in a lower liability, the difference may be deductible - but only for unsold stock, supported by documentary evidence.

Businesses holding stock on 1 January 2026 must also consider whether they qualify as Excise stockpilers.

## **BAG Meeting — Practical Implementation Highlights**

During the BAG session held on 11 December 2025, the FTA provided clarifications on transitional and operational matters linked to the new model.

### **01.**

#### **Transitional Pricing & Deductible Tax**

- If Excise liability increases under the new rules → taxpayer must pay the additional tax;
- If liability decreases → excess tax becomes deductible for unsold goods;
- Refunds will be processed through deductibles, not a separate refund form.



## 02.

### Product Registration in Brandsync / EmaraTax

- Product registrations must be updated before 1 January 2026;
- If not updated - system will classify product as High sugar.
- Correct category will apply once the MOIAT certificate is uploaded.

## 03.

### Declarations — Tax Applies on Sugar Content, Not Price

- The new model removes reliance on RSP / Excise price
- Excise liability is calculated per litre based on sugar content

## 04.

### FTA Emphasis on Accredited Laboratory Testing

The FTA reiterated:

- MOIAT-accredited lab certification is mandatory;
- MOIAT already have started issuing the certificates;

### Recommended Business Actions

Considering the above, we recommend affected businesses to review product portfolios and their sugar classifications, arrange MOIAT laboratory testing early, update Brandsync registrations, prepare stock reports for transitional deduction claims (where applicable) and identify unsold stock carried into 2026.

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### The FTA publishes Part 1 of the Taxable Person Guide for Excise Tax - ETGTP1

Effective 1 January 2026 the FTA published a new Excise Tax Guide ETGTP1, "Guide to Taxable Persons" (replacing previous Guide EG001). This is part one of two Taxable Person Guides for Excise Tax, covering the Excise Tax legislation in the UAE:

- ETGTP1 – covers the legislative provisions as they apply to Excise Goods generally, and
- ETGTP2 – covers the products subject to Excise Tax and the application of the general provisions on Excise Goods (yet to be published).

The key changes introduced by ETGTP1 compared to the September 2019 version (EG001):

## 01. Document Structure & Purpose

Aspect	Before (2019 Guide EG001)	Now (2026 Guide ETGTP1)
<b>Glossary</b>	No dedicated glossary. Terms defined sporadically within text.	New Chapter 1: Glossary. Contains 31 formal definitions (e.g., "Business," "Designated Zone," "Tax Evasion").
<b>Legal References</b>	Briefly mentioned, not systematically listed.	New Section 2.6: A comprehensive, numbered list of all governing laws, Cabinet Decisions, and FTA Decisions.
<b>Status Disclaimer</b>	Simple statement that the guide is not legally binding.	Expanded Section 2.7: Explicitly states the guide is for assistance only, not a substitute for law, and does not constitute tax advice.

## 02. Excise Goods & Tax Rates

Aspect	Before (2019 Guide EG001)	Now (2026 Guide ETGTP1)
<b>Taxable Products</b>	<ul style="list-style-type: none"> <li>▪ Tobacco &amp; Products (100%)</li> <li>▪ Energy Drinks (100%)</li> <li>▪ Carbonated Drinks (50%) - separate category.</li> <li>▪ E-Smoking Liquids/Devices (100%)</li> <li>▪ Sweetened Drinks (50%) - flat rate.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tobacco &amp; Products (100%)</li> <li>▪ Energy Drinks (100%)</li> <li>▪ Carbonated Drinks - abolished as a separate category from 1 Jan 2026. Now taxed only if they meet the "Sweetened Drink" definition.</li> <li>▪ E-Smoking Liquids/Devices (100%)</li> <li>▪ Sweetened Drinks - subject to a new tiered-volumetric tax model from 1 Jan 2026.</li> </ul>

Aspect	Before (2019 Guide EG001)	Now (2026 Guide ETGTP1)
<b>Classification Rules</b>	Basic rule: if a product fits multiple categories, tax at the highest rate.	More detailed hierarchy specified (likely in ETGTP2). For example, a drink that is both carbonated and sweetened is classified under the sweetened drink rules.
<b>Tax Calculation Basis</b>	For drinks: 50% or 100% of the "Excise Price" (price-based).	For sweetened drinks: Tiered specific tax based on quantity (ml/l) and sugar/sweetener content. Price is no longer the primary determinant for this category.

### 03. Registration & Deregistration

Aspect	Before (2019 Guide EG001)	Now (2026 Guide ETGTP1)
<b>Who Must Register</b>	Lists importers, producers, stockpilers, releasers from designated zones.	Adds clarity: registration also required for any person who becomes liable due to the original liable person's failure to pay (Article 5).
<b>Exception for "Regular" Import</b>	Defined as more than once in 6 months or 4th time in 24 months.	Defined as more than once in 6 months or more than three times in 24 months.
<b>Deregistration Application Rejection</b>	Not explicitly detailed.	New explicit grounds for FTA to reject an application: <ul style="list-style-type: none"> <li>▪ Intention to conduct taxable activity within next 12 months</li> <li>▪ Cannot prove cessation of tax liability</li> <li>▪ Registered for less than 6 months</li> </ul>

## 04. Designated Zones & Warehousing

Aspect	Before (2019 Guide EG001)	Now (2026 Guide ETGTP1)
<b>Registration Validity</b>	Implied perpetual unless revoked.	Explicitly stated: Annual renewal required. Failure to renew leads to expiry, loss of designated zone status, and a deemed release of all goods (triggering excise tax).
<b>Financial Guarantee</b>	Mentioned as a requirement.	Calculation methodology explained via reference to Public Clarification EXTP008.
<b>Reporting Scenarios Table</b>	A basic table linking scenarios to declarations.	Extremely detailed table (Section 9.8.1) with specific scenarios, actions, and precise declaration codes (e.g., EX202A for "Enter goods into a Designated Zone").

## 05. Deductible (Refundable) Tax

Aspect	Before (2019 Guide EG001)	Now (2026 Guide ETGTP1)
<b>Eligible Situations</b>	<ol style="list-style-type: none"> <li>1. Goods exported.</li> <li>2. Goods used in manufacturing another excise good.</li> <li>3. Tax paid in error.</li> </ol>	Expanded list (FTA Decision No. 11 of 2025): <ol style="list-style-type: none"> <li>4. Tax paid on goods not sold before a tax rate reduction, deductible to the extent of the reduction.</li> </ol>
<b>Evidence Required</b>	"Reasonable evidence" required.	Strictly specified evidence chain required: <ol style="list-style-type: none"> <li>1. Purchase invoice.</li> <li>2. Supplier declaration confirming tax payment and amount.</li> <li>3. Product identification proof (e.g., serial numbers) linking the physical goods to the tax paid.</li> </ol>

## 06. Digital Tax Stamps (DTS)

Aspect	Before (2019 Guide EG001)	Now (2026 Guide ETGTP1)
<b>Scheme Scope</b>	First phase (cigarettes) underway. Second phase (waterpipe, e-cigarettes) planned.	Phases completed. Old stamp designs phased out by 31 Dec 2023. New design marks are mandatory.
<b>Return of Stamps</b>	Physical return to authorized supplier.	Virtual return is now permitted for stamps located outside the UAE.

## 07. Audits, Penalties & Dispute Resolution

Aspect	Before (2019 Guide EG001)	Now (2026 Guide ETGTP1)
<b>Audit Notice Period</b>	"Usually" 5 business days notice.	Extended to at least 10 business days notice (except in suspected evasion cases).
<b>Audit Results Timeline</b>	No specific deadline for issuing results.	FTA must communicate results within 10 business days of audit completion.
<b>Tax Evasion Definition</b>	Not detailed in the guide.	New dedicated section (14.8) listing specific acts constituting evasion (e.g., using false DTS, submitting counterfeit documents).
<b>Statute of Limitations</b>	Not covered.	Detailed rules from Article 46, Tax Procedures Law: <ul style="list-style-type: none"> <li>▪ Standard: 5 years.</li> <li>▪ Evasion/Failure to Register: 15 years.</li> <li>▪ Exceptions for audits already notified, voluntary disclosures, or refund claims.</li> </ul>
<b>Appeals Process</b>	Two-stage: <ol style="list-style-type: none"> <li>1. Reconsideration (20 days to file).</li> <li>2. Objection to TDRC (20 days to file).</li> </ol>	Four-stage, with extended deadlines: <ol style="list-style-type: none"> <li>1. Optional: Tax Assessment Review (40 days).</li> <li>2. Mandatory: Reconsideration (40 days).</li> <li>3. Mandatory: Objection to TDRC (40 days).</li> <li>4. Appeal to Court.</li> </ol>

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## The FTA Publishes the Profit Margin Scheme VAT Guide

On 7 January 2026 the FTA released an updated UAE VAT Profit Margin Scheme Guide (VATGPM1).

The revised guide provides clearer explanations of eligibility and compliance under the margin scheme for second-hand goods and property. It clarifies which dealers qualify (e.g. used cars and jewelry dealers) and how to calculate tax only on the profit margin.

Our team has prepared a brief [overview](#) of the Guide for your consideration.

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## The FTA publishes the Corporate Tax Guide on Advanced Pricing Agreements (CTGAPA1)

On 30 December 2025 the FTA published Corporate Tax Guide CTGAPA1 ("Advance Pricing Agreements"). This inaugural guide explains the process, eligibility and timeline for taxpayers to apply for APAs under the UAE's Corporate Tax framework.

Unilateral APAs (between a UAE taxpayer and the UAE tax authority) may be requested from end-2025, helping multinationals secure transfer pricing certainty in advance.

Our team prepared a detailed [overview](#) of the Guide for your consideration.

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## UAE Ministry of Finance Issues Federal Decree Law No. 28 of 2025 Amending the UAE CIT Law

Decree-Law No. 28 of 2025 was issued (effective on publication) to amend the Federal Corporate Tax Law. The amendments introduce a framework for offsetting corporate tax liabilities with tax credits and incentives, including provisions to refund unused credits.

A revised Article 44 now specifies the mandatory sequence for settling Corporate Tax liabilities. Tax owed must be addressed by first applying any tax withheld at source, followed by utilizing available foreign tax credits, then reducing the amount through other approved credits and incentives, with any remaining balance settled as per standard payment procedures.

Furthermore, a new Article 49 (bis) has been introduced, creating a formal mechanism for taxable persons to claim refunds for unused tax credits. These credits may arise from specific incentives or reliefs offered under the Corporate Tax Law.

Collectively, these changes provide a clear legislative framework for the order of applying tax credits and establish the potential refundability of certain incentives. This indicates that future incentive regimes could offer benefits extending beyond tax offset, possibly improving cash flow for businesses.

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## Amendments to Certain Provisions of the FTA's Service Fees, effective from 1 January 2026

The Cabinet issued Decision No.174/2025 amending FTA service fees (effective 1 Jan 2026).

### **Key updates include:**

- New APA fees: AED 30,000 for a new unilateral Advance Pricing Agreement application; AED 15,000 for renewal/amendment.
- The previous AED 250 fee for a paper Tax Registration Certificate (new/replacement) and for a paper Warehouse Keeper Certificate is abolished; these certificates will now be issued electronically at no charge.
- Other fees: Fees for Tax Residency Certificates, Commercial Activity Certificates, private clarifications, tax agent registration/renewal, and excise-designated zone registration are unchanged from the prior schedule.

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### **Updated List and Contact Details of the Ministry of Finance Pre-Approved eInvoicing Service Providers**

The UAE Ministry of Finance updated its list of pre-approved e-invoicing solution providers, as required under the Tax Procedures Law. The MoF's official list now includes dozens of certified vendors (e.g. Comarch, Covoro, Fatoorah) for taxpayers to obtain compliant electronic invoicing systems.

Taxpayers should ensure they engage a listed provider by mandated deadlines.

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## **GCC**

### **Bahrain**



### **Proposed Corporate Income Tax (CIT) from 2027**

The 2025–26 State Budget confirmed Bahrain's intent to introduce a broad-based corporate income tax.

In late Dec 2025 authorities discussed draft legislation for a CIT on profits (announced at 8–10%), likely effective for financial years from 2027.

The plan would apply a standard CIT (proposed 10%) on most corporate profits, with potential exclusions for personal companies, and 5% withholding tax on service payments to non-resident companies. Thresholds reportedly starting above BHD 200,000 taxable income

Bahrain's leadership will finalize the new tax law in consultation with stakeholders in 2026.

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### **NBR updates the Guide to the Scope of the DMTT Law and Registration Requirements**

On 31 December 2025 NBR published an updated guide (v1.2) on Bahrain's Domestic Minimum Top-up Tax (DMTT) implementation with further details on the registration treatment for newly established entities (added examples how the registration rules are applicable to new entities falling under DMTT rules).

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### Bahrain's DMTT recognized as "Qualified" under OECD

Bahrain's DMTT (a 15% domestic minimum tax on large multinationals under Pillar Two rules) has been listed by OECD as compliant (a "Qualified" DMTT), meaning Bahraini groups will not owe additional top-up tax under Pillar Two because Bahrain's DMTT fills the minimum.

This OECD recognition ensures Bahrain's DMTT satisfies the global minimum tax rules.

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## Qatar



### GTA Announces Tax Return Filing Period for the Financial Year Ended 31 December 2025

Qatar's General Tax Authority (GTA) announced that the corporate tax return filing period for the 2025 financial year (ending 31 Dec 2025) will run from 1 Jan to 30 Apr 2026. This means all taxable entities must file their Qatar profit tax returns by 30 April 2026 via the "Dhareeba" portal. The announcement reaffirms that even tax-exempt companies (e.g. GCC-owned firms, charities) must file returns, ensuring compliance across all licensed businesses. The GTA is providing support (e.g. helpdesk, email) to facilitate on-time filing.

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### Qatar's IIR and DMTT under Pillar Two Rules received "Qualified" Status

In Qatar, Law No. 22/2024 (published March 2025) introduced a Pillar Two Income Inclusion Rule (IIR) and Domestic Minimum Top-up Tax (DMTT) for fiscal years from 1 Jan 2025. Qatar has since self-certified these rules with the OECD Inclusive Framework. The OECD has recognized Qatar's IIR and DMTT as meeting the Model Rules (i.e. "qualified" under Pillar Two).

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## Oman



### GTA International Financial Center with Tax Exemption is to be Set Up in Muscat

His Majesty Sultan Haitham issued Royal Decree No. 8/2026 establishing the International Financial Centre of Oman (IFCO). IFCO, to be headquartered in Madinat Al Irfan, will operate under its own regulatory framework (based on English Common Law) with an independent Authority, Regulator and Courts.

The Centre will offer a package of incentives and tax exemptions (for up to 50 years) to attract financial firms and related businesses:

- Corporate tax exemption for IFCO entities carrying out approved qualifying activities.
- Withholding tax relief for non-resident entities earning royalties, service fees, dividends, and interest from transactions with IFCO entities.
- Personal income tax exemption for non-Omani individuals earning income from IFCO, including professionals such as bankers, lawyers, and fund managers.
- Special VAT zone status for IFCO (designated zone).

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## Saudi Arabia



### KSA Extends Tax Amnesty Deadline to 30 June 2026

The Ministry of Finance issued a resolution (Official Gazette No. 5135) extending Saudi Arabia's tax amnesty initiative by six months.

The amnesty (initially through 31 Dec 2025) now runs to 30 June 2026. Taxpayers who submit all outstanding returns and pay their underlying tax (or enter a payment plan) by the new deadline can have qualifying penalties waived.

The scheme covers VAT, corporate tax, WHT, excise and real estate tax penalties (excluding evasion penalties) and encourages companies to regularize past filings by mid-2026.

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### ZATCA Clarifies Tax Treatment of Technical and Consultancy Services under the Income Tax Law and Double Taxation Avoidance Agreements

In December 2025 ZATCA issued guidance clarifying the tax treatment of fees for technical, consulting and software-related services under Saudi law.

The guidance emphasizes that routine technical or consulting services (e.g. software development) are treated as standard business-service fees subject to 5% withholding tax, whereas transfers involving know-how/intellectual property are treated as royalties (15% WHT). This clarification helps taxpayers distinguish taxable service fees from royalty payments under Saudi DTAs.

Notably, a ZATCA guideline confirms that software development fees (even if with some IP transfer) remain a 5% "technical service" payment.

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## ! ZATCA Approves Amendments to the Executive Regulations of the Excise Tax in Saudi Arabia, effective 1 January 2026

ZATCA updated Saudi excise rules (Official Gazette, 29 Dec 2025) to adopt a tiered volumetric tax on sweetened beverages.

Starting 1 Jan 2026, all sugar-sweetened drinks (including carbonated drinks) fall into four sugar-content tiers with fixed excise amounts per litre.

**Under this model: 0 % sugar/only artificial sweeteners → SAR 0/L; low sugar (<5 g/100ml) → SAR 0/L; medium (5–7.99 g) → SAR 0.79/L; high (≥8 g) → SAR 1.09/L.**

Additionally, excise return and payment deadlines were extended (to end of next month) and a refund mechanism was introduced for any excess excise paid due to these changes.

Manufacturers and importers must now label and register products by sugar content to apply the correct tier.

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## ! ZATCA published a Guide on VAT rules for electronic marketplaces and online platforms

ZATCA has released updated guidance following amendments to Article 47 of the VAT Implementing Regulations, which governs the VAT treatment of electronic marketplaces. While certain amendments have applied since April 2025, a material expansion of the deemed supplier regime under Article 47(3) will take effect from 1 January 2026.

This change significantly broadens the scope of platforms that may be held directly responsible for VAT in Saudi Arabia.

Under the deemed supplier framework, an electronic marketplace may be treated as the supplier for VAT purposes where it facilitates supplies made by third parties to customers in the Kingdom.

### Where the regime applies:

- The platform is deemed to purchase the goods or services from the underlying supplier and resupply them to the customer.
- The platform becomes responsible for charging VAT, issuing tax invoices, and reporting VAT to ZATCA.
- VAT liability shifts from the underlying supplier to the marketplace operator.

### ZATCA identifies two key scenarios when these rules are applicable:

#### 01. Supplies by Non-Resident Suppliers

Where a platform facilitates electronic services supplied to Saudi customers by non-resident suppliers, the platform is treated as the deemed supplier and assumes full VAT responsibility.

#### 02. Supplies by Unregistered Resident Suppliers (from 1 January 2026)

From 1 January 2026, platforms facilitating supplies by resident suppliers who are not VAT-registered will also be treated as deemed suppliers. This extension captures a wide range of small and micro-businesses operating below the VAT registration threshold.

Common examples include e-commerce platforms, food delivery apps, accommodation booking platforms, on-demand service platforms, digital content marketplaces, and mobility platforms.

With the expansion of the deemed supplier rules effective from 2026, marketplace operators should review their VAT exposure, supplier onboarding processes, contractual arrangements, and invoicing systems to ensure readiness and mitigate compliance risks.

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