



# GCC Indirect Tax News Roundup

Quarter four 2025



**PwC Middle East**  
Tax & Legal Services

# VAT refunds for non-resident businesses

Tax authorities across the GCC and other Middle East jurisdictions continue to allow non-resident businesses to reclaim VAT incurred on local purchases, subject to meeting eligibility conditions and complying with country-specific filing requirements. Given the variation in deadlines and procedural rules, timely action is critical to avoid losing VAT recovery opportunities.

## Why this matters to non-resident businesses

VAT refunds are strictly time-bound and, in many cases, contingent on advance registration or specific local requirements. Missed deadlines or incomplete submissions commonly result in rejected claims and permanent cash leakage, particularly for businesses operating across multiple jurisdictions.

### Key deadlines to be aware of

- **UAE:** Refund applications must be submitted by **31 August of the following year**.
- **KSA:** Refund applications must be submitted by **30 June of the following year**. Eligible person registration must be completed by **31 December of the refund year**.
- **Bahrain:** Refund applications must be submitted by **31 March of the following year**.
- **Oman:** Split-year filing applies, with refunds for the first half of the year due by **31 December of the same year** and refunds for the second half due by **30 June of the following year**.
- **Lebanon:** Refund applications must be submitted by **30 June of the following year**.
- **Egypt:** No statutory deadline specified, although timely submission remains advisable.

### Eligibility requirements to consider

In general, applicants must be legally established, and VAT registered in their country of residence, with that country operating a reciprocal VAT or GST refund regime. Invoices submitted for refund must comply with local VAT requirements and be supported by valid proof of payment. Certain jurisdictions impose additional conditions, such as maintaining a local bank account or limiting refunds to specific types of supplies, making an upfront eligibility assessment essential before submission.

## What this means for businesses

- **Track deadlines centrally:** Maintain visibility over country-specific filing timelines to avoid missed submission windows.
- **Prepare early:** Ensure compliant invoices, proof of payment, and any registration or banking requirements are in place ahead of deadlines.
- **Coordinate across functions:** Align tax, finance, and procurement teams to support accurate and timely submissions.

VAT recovery for non-resident businesses requires proactive planning and disciplined execution. Early identification of applicable deadlines and eligibility requirements remains essential to maximising refunds and managing compliance risk. For more information on VAT refund opportunities across the Middle East, including eligibility criteria and practical guidance, please visit our dedicated [webpage](#).

# Indirect Taxes in the GCC

## An overview of the current indirect taxes applicable in the GCC



### Kuwait

- VAT and Excise Tax are not yet introduced in Kuwait.
- eInvoicing: No official announcement yet.

### Qatar

- VAT is not yet introduced in Qatar.
- **Excise Tax** rates: 100% for tobacco products and energy drinks; and 50% on carbonated drinks.
- eInvoicing: No official announcement yet

### KSA

- **VAT** standard rate of 15% (reduced VAT rate 0%).
- **Real Estate Transaction Tax** (RETT) applicable at 5% (effective 4 October 2020).
- **Excise Tax** rates: 100% for tobacco products, electronic smoking devices and energy drinks; and 50% on soft drinks and sweetened drinks.
- **eInvoicing**: Introduced in 2021, Clearance model CTC.

### UAE

- **VAT** standard rate of 5% (reduced VAT rate 0%).
- **Excise Tax** rates: 100% for tobacco, tobacco products, electronic smoking devices, liquids used in electronic smoking devices, and energy drinks; sweetened drinks subject to specific excise tax per litre based on sugar/sweetener content.
- **eInvoicing**: Go-live set for July 2026, Peppol decentralised model.

### Bahrain

- **VAT** standard rate of 10% (reduced VAT rate 0%).
- **Excise Tax** rates: 100% for tobacco (and related) products and energy drinks; and 50% on soft drinks.
- eInvoicing: No official announcement yet.

### Oman

- **VAT** standard rate of 5% (reduced VAT rate 0%).
- **Excise Tax** rates: 100% on tobacco and related products, energy drinks and special purpose goods (pork & alcohol products), 50% on carbonated drinks.
- **eInvoicing**: Go-live set for 2026, Peppol decentralised model.



|                    |  |           |
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## Value Added Tax

### Revised administrative penalty framework for violation of tax laws

The UAE Cabinet has approved Cabinet Decision No. 129 of 2025, introducing significant changes to the administrative penalties applicable to violations of UAE tax laws. The decision was published on 10 November 2025 and will take effect on **14 April 2026**. Businesses should use the transition period to review compliance processes and prepare for the new regime.

#### Key highlights:

- Broader definitions and scope:** The framework expands and clarifies key definitions such as “Tax Law,” now explicitly including the Excise Tax Law and the VAT Law, along with related concepts like Due Tax and Tax Difference.
- Simplified penalty structure:** The revised regime replaces the previous compounding penalty system with a non-compounding structure, making penalties easier to calculate and understand.
- Voluntary compliance incentives:** Taxpayers are encouraged to self-assess and voluntarily correct errors, with the potential for reduced penalties for early disclosures.
- Greater transparency and predictability:** Clearer penalty definitions and structures aim to improve certainty around potential tax exposure, helping businesses manage risk more effectively.
- Targeted penalty amendments:** Selected penalties have been reduced, such as for failure to submit requested information in Arabic (reduced from AED 20,000 to AED 5,000) and failure to update tax records with the Federal Tax Authority (reduced first and repeated violation amounts).

#### What this means for businesses

- Review compliance processes:** Businesses should assess current internal controls and reporting processes ahead of the new framework’s effective date.
- Prepare for simpler penalty calculations:** The streamlined structure reduces complexity, but clarity on definitions and harmonised rules should be incorporated into compliance checklists.
- Encourage early correction of errors:** Businesses can benefit from reduced penalties by adopting a proactive approach to voluntary disclosures where permissible.
- Manage risk with greater certainty:** Enhanced transparency of the penalty regime helps finance and tax teams anticipate and plan for potential exposures.



The official PwC news alert on the revised administrative penalty framework for violations of tax laws is available through this [link](#).








## Value Added Tax

### UAE announces significant legislative updates to Tax Procedures, VAT and Excise Tax laws

On 25 November 2025, the UAE Ministry of Finance announced amendments to the Federal Decree-Law on Tax Procedures (Federal Decree-Law No. 17 of 2025) and the VAT Law (Federal Decree-Law No. 16 of 2025), with effect from **1 January 2026**. These legislative updates will reshape compliance obligations across UAE tax regimes and introduce key procedural changes.

#### Key highlights:

-  **Broad Tax Procedures Law amendments:** Federal Decree-Law No. 17 of 2025 introduces extensive updates to the Tax Procedures Law, impacting refund processes, voluntary disclosure requirements, audit timelines, limitation periods and administrative frameworks applicable to all federal taxes administered by the Federal Tax Authority.
-  **Targeted VAT Law changes:** Federal Decree-Law No. 16 of 2025 introduces technical amendments to the VAT Law, including adjustments to input tax recovery rules and the introduction of a uniform five-year limitation for carrying forward and claiming excess recoverable input tax.
-  **Alignment of limitation periods:** The amendments align limitation rules for VAT, excise tax and other taxes under the Tax Procedures Law, including a five-year period for tax assessments and refund applications.
-  **Transitional provisions:** Transitional arrangements allow taxpayers whose five-year refund eligibility will expire within one year from 1 January 2026 to request refunds before 1 January 2027.
-  **Impact on Excise Tax Law:** Amendments under the Tax Procedures Law also affect application of the excise tax statute of limitation, repealing standalone limitation provisions and aligning them under the unified framework.

#### What this means for businesses

- **Review compliance processes ahead of 2026:** Businesses must assess internal controls, refund positions, and compliance workflows to align with updated procedural and reporting requirements.
- **Understand new limitation periods:** The five-year limitation rule for refunds and assessments requires early planning to preserve entitlements.
- **Prepare for enhanced procedural expectations:** Changes to voluntary disclosure, audit timelines and administrative frameworks mean businesses should update governance, risk and control frameworks.
- **Consider transitional provisions:** Entities with tax credits nearing expiry should evaluate strategic timing for refund applications under the transitional rules.



For detailed information on the exact legislative updates and practical implications, please refer to the official PwC news alert through this [link](#).



## Value Added Tax

### UAE introduces reverse charge mechanism on the local supply of scrap metal

The UAE FTA has issued updated guidance implementing a reverse charge mechanism for certain scrap metal supplies under the UAE VAT regime. The reverse charge is effective for taxable periods starting on or after **14 January 2026** and reflects the FTA's continued refinement of VAT compliance and reporting frameworks in the UAE.

#### Key highlights:

- Reverse charge mechanism introduced:** Supplies of specified scrap metal products will be subject to the VAT reverse charge, shifting the VAT accounting obligation from the supplier to the recipient where both parties are registered for VAT in the UAE.
- Scope of application:** The reverse charge applies to designated categories of scrap metal as defined in the FTA's guidance. Supplies must constitute a taxable transaction and both supplier and recipient must hold valid UAE VAT registrations.
- Accounting and reporting implications:** Under the reverse charge, recipients are required to self-account for output tax on the supply and simultaneously claim input tax, subject to normal recovery rules, in their VAT return for the period in which the transaction occurs.
- Documentation requirements:** Suppliers should continue to issue compliant tax invoices reflecting the nature of the transaction. Recipients must retain appropriate records to support self-accounting and input tax recovery in accordance with standard VAT documentation expectations.
- No cash remittance at point of supply:** Since the output and input tax are accounted in the same VAT return, there is generally no immediate cash outlay at the time of the transaction, provided full input tax recovery is available.

#### What this means for businesses

- Update VAT compliance procedures:** Businesses involved in scrap metal transactions should adjust accounting and reporting processes to reflect the reverse charge mechanism.
- Assess contracts and systems:** Contracts and ERP systems must be updated to ensure correct treatment and reporting of reverse charge transactions from 1 January 2026.
- Train tax and finance teams:** Tax operations and finance personnel should be briefed on the reverse charge rules, documentation expectations, and reporting responsibilities.
- Coordinate with suppliers and customers:** Clear communication with counterparties will help ensure consistent treatment and avoid compliance errors.



For the official FTA guidance and detailed eligibility criteria, please refer to the PwC news alert available through this [link](#).










## Value Added Tax

### FTA issues updated VAT Administrative Exceptions Guide (VATGEX1)

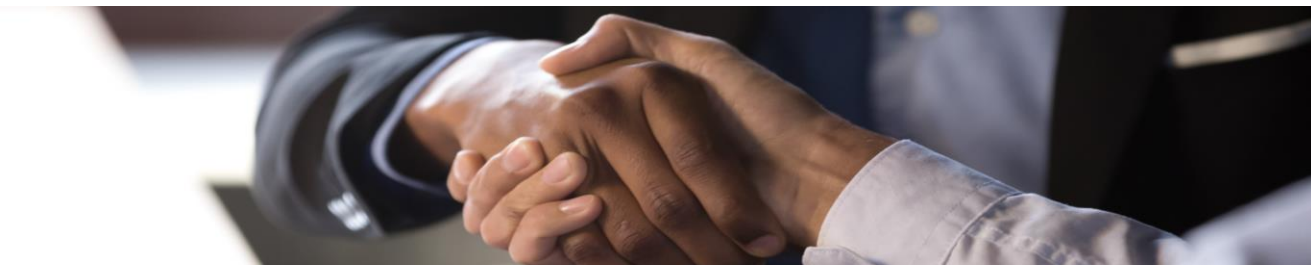
The UAE FTA has issued an updated VAT Administrative Exceptions Guide (VATGEX1) in **December 2025**, replacing the previous version. The updated guide reflects recent legislative, procedural, and system developments and provides enhanced clarity on the scope, eligibility, documentation, and process for requesting VAT administrative exceptions through EmaraTax.

#### Key highlights:

-  **Reduced scope of administrative exceptions:** Administrative exception requests relating to changes in VAT stagger and changes to the length of the tax period have been removed. These requests must now be submitted through separate EmaraTax applications rather than via the administrative exception process.
-  **Updated export evidence requirements reflected:** The guide incorporates amendments to the documentary evidence required to prove exports, effective from 15 November 2024. It clarifies acceptable combinations of customs declarations, commercial evidence, shipping certificates, and official evidence, and confirms that the updated rules do not apply retrospectively.
-  **Enhanced documentation and procedural guidance:** More detailed requirements are set out for supporting documents, including justification letters, alternative evidence, and explanations demonstrating why compliance with standard requirements is impractical or impossible.
-  **Common errors highlighted:** A new section identifies frequent errors observed by the FTA, such as submitting requests outside the permitted scope, requesting VAT refunds through the administrative exception process, or applications submitted by ineligible persons.
-  **Annexure and application checklist added:** The guide now includes a visual process flow and a practical checklist to support accurate and complete submission of administrative exception requests via EmaraTax.

#### What this means for businesses

Businesses should review any ongoing or planned VAT administrative exception requests to ensure they fall within the revised scope of the guide, update export documentation processes to align with the clarified evidence requirements, and strengthen applications through clear justification, complete supporting documents, and adherence to procedural timelines. In addition, businesses should plan ahead for the introduction of eInvoicing, as administrative exceptions relating to tax invoices and credit notes will cease once electronic invoicing becomes mandatory, making early readiness essential to managing compliance risk.



For further insights on implementing these changes refer to the updated VAT Guide accessible through this [link](#).







## eInvoicing

### Violations and Administrative Penalties resulting from violation of the Legislation regulating the Electronic Invoicing System

The UAE has issued Cabinet Decision No. 106 of 2025, setting out violations and administrative penalties related to the Electronic Invoicing System. The decision represents a further step in the UAE's phased rollout of eInvoicing and underscores the need for early readiness by businesses ahead of mandatory adoption.

#### Key highlights:

-  **Mandatory adoption of the Electronic Invoicing System:** Businesses are required to implement the mandated Electronic Invoicing System and appoint an accredited Service Provider (ASP). Failure to implement may result in penalties of AED 5,000 per month of delay.
-  **Issuance and transmission of invoices and credit notes:** Failure to issue or transmit invoices or Credit Notes through the mandated system is subject to a penalty of AED 100 per document, capped at AED 5,000 per month.
-  **Notification of system failures:** Failure to notify the Federal Tax Authority of a system failure may result in a penalty of AED 1,000 per day of delay, applicable to both invoice issuers and recipients.
-  **Updating ASP registration details:** Failure to update the accredited Service Provider with changes to registered data may result in a penalty of AED 1,000 per day of delay.

#### What this means for businesses

- **Accelerate readiness planning:** Businesses should assess timelines for system implementation and ASP onboarding to avoid recurring penalties.
- **Review invoicing processes:** Invoice issuance, transmission, and exception handling processes must align with the mandated framework.
- **Strengthen governance and controls:** Clear escalation procedures for system failures and data changes are critical.
- **Assess technology readiness:** As the UAE transitions to a Peppol-based five-corner model, organisations should evaluate ERP readiness, data quality, integration architecture, master data governance, and supplier and customer onboarding.



For further insights on implementing these changes refer to the Cabinet Decision accessible through this [link](#).



## Customs

### Customs Duty Rates on 15 HS Codes for Steel Products Maintained at 10% Trough 2028.

Dubai Customs Notice No. 16/2025 announces the fifth extension of the increased customs duty rates on reinforcing steel and steel coils, maintaining the rate at 10% (up from 5%) for an additional three years until 12 October 2028, effective from 5 November 2025.

### Key highlights:

Provided below is the list of HS codes which have been affected by the customs duty rate increase:

| HS Code  | Product Description   |
|----------|---|
| 72131000 | Bars & rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, containing indentations, ribs, grooves or other deformation produced during the rolling process.   |
| 72132000 | Bars & rods, hot-rolled, in irregularly wound coils, of free cutting steel.   |
| 72139100 | Bars & rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, of circular cross-section measuring less than 14 mm in diameter.   |
| 72139900 | Bars & rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, n.e.s.   |
| 72141030 | Forged bars & rods of iron or non-alloy steel, of circular cross-section measuring less than 10mm in diameter not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling.                                   |
| 72141040 | Forged bars & rods of iron or non-alloy steel, of circular cross-section measuring 10-32 mm in diameter not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling.   |
| 72141090 | Other forged bars & rods of iron or non-alloy steel, n.e.s, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling.   |
| 72142030 | Bars & rods of iron or non-alloy steel, Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling, of circular cross -section measuring less than 10mm in diameter not further worked than forged |
| 72142040 | Bars & rods of iron or non-alloy steel, Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling, of circular cross -section measuring 10-32 mm in diameter not further worked than forged       |
| 72142090 | Other bars & rods of iron or non-alloy steel n.e.s, Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling, not further worked than forged   |
| 72143030 | Bars & rods of iron or non-alloy steel of circular cross-section measuring less than 10mm in diameter of free-cutting steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling.                    |
| 72143040 | Bars & rods of iron or non-alloy steel of circular cross-section measuring 10-32 mm in diameter of free-cutting steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling.                          |
| 72143090 | Other bars & rods of iron or non-alloy steel n.e.s, of circular cross-section of free-cutting steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling.  |
| 72149100 | Bars & rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling, of rectangular cross-section.   |
| 72149900 | Bars & rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling, n.e.s.  |



## Customs

**The UAE-Australia and UAE-Malaysia Comprehensive Economic Partnership Agreements (“CEPAs”) entered into force on 1 October, followed by the UAE-Chile CEPA, on 24 November 2025.**

The UAE’s CEPAs deliver immediate and phased tariff reductions, with duty-free treatment covering the majority of the traded goods between the parties. Enhanced provisions of rules of origin (“RoOs”) and customs cooperation further streamline clearance procedures and reduce border costs.

### Key highlights:

• **UAE-Australia CEPA**

| Area              | High-level description   |
|-------------------|--|
| Trade in goods    | <ul style="list-style-type: none"><li>Immediate elimination of duties on almost 99% of goods across tariff lines, including agri-food and aluminium, with gradual phasing out for a small number of other goods.</li><li>Goods originating in free zones will also qualify for exemption.</li></ul>                        |
| Trade in services | <ul style="list-style-type: none"><li>New opportunities and provides greater certainty for service providers, including in sectors such as education, professional services, financial services, and others.</li></ul>   |
| RoOs              | <ul style="list-style-type: none"><li>Be wholly obtained or produced in the territory of the contracting party; or</li><li>Have undergone sufficient working or production as per the Product Specific Rules (“PSR”). The PSR may be expressed as a change in tariff classification and/or specific value added.</li></ul> |

Find the full text of the agreement [here](#), and the market access dashboard [here](#).

• **UAE-Malaysia CEPA**

| Area              | High-level description   |
|-------------------|--|
| Trade in goods    | <ul style="list-style-type: none"><li>Immediate elimination of duties on almost all tariff lines, with gradual phasing out for a few number of other goods.</li><li>Goods originating in free zones will also qualify for exemption.</li></ul>   |
| Trade in services | <ul style="list-style-type: none"><li>New opportunities and provides greater certainty for service providers, including in sectors such as professional services, financial services, logistics, travel and tourism, and transport services.</li></ul>   |
| RoOs              | <ul style="list-style-type: none"><li>Be wholly obtained or produced in the territory of the contracting party; or</li><li>Have undergone sufficient working or production to be regarded as “substantially transformed” (i.e., the value add of the final good is at least 35% of the ex-works value, change in tariff classification, or PSR).</li></ul> |

Find the full text of the agreement [here](#), and the market access dashboard [here](#).

• **UAE-Chile CEPA**

| Area              | High-level description  |
|-------------------|---|
| Trade in goods    | <ul style="list-style-type: none"><li>Immediate elimination of duties on almost 97% of goods across tariff lines, with gradual phasing out for a small number of other goods.</li><li>Goods originating in free zones will also qualify for exemption.</li></ul>  |
| Trade in services | <ul style="list-style-type: none"><li>New opportunities and provides greater certainty for service providers, including in sectors such as professional services, telecommunications, financial services, distribution, and others.</li></ul>   |
| RoOs              | <ul style="list-style-type: none"><li>Be wholly obtained or produced in the territory of the contracting party; or</li><li>Have undergone sufficient working or production to be regarded as “substantially transformed” (i.e., the value add of the final good is at least 35% of the ex-works value, 40% of the FOB value, or change in tariff classification).</li></ul> |

Find the full text of the agreement [here](#), and the market access dashboard [here](#).



## Customs

### Final Anti-Dumping Duties on Chinese and Indian Sanitaryware Products Through 2030.

Dubai Customs Notice No. 18/2025 declares the imposition of a final anti-dumping duties on the CIF value of sanitaryware products (i.e., wash basins, sinks, baths, bidets, toilets seats, flushing cisterns (syphons), urinals and similar fixed sanitaryware made of ceramics, falling under HS codes 69101000 – 69109000) originating from or exported by the People’s Republic of China (“China”) and the Republic on India (“India”) from selected companies/manufacturers. These anti-dumping duties are effective from 22 September 2025 and will remain in force for five years (i.e., until 22 September 2030).

### Key highlights:

Provided below is the list of affected companies/ manufacturers along with the applicable anti-dumping duties.

| Country   | Companies/Manufacturers Names                     | Anti-Dumping Margins (% of CIF Value) |
|---|---|---------------------------------------|
| <div>China</div>    | Guangdong Zhiru Technology Co., Ltd               | 35.6%                                 |
|   | Huida Sanitary Ware Co.,Ltd                       | 38.7%                                 |
|   | Guangdong Akit Sanitary Ware Technology Co., Ltd. | 33.8%                                 |
|   | Cooperating companies outside the sample*         | 37.5%                                 |
|   | Others  | 51%                                   |
| <div>India</div>  | Ariston Ceramic                                   | 47.4%                                 |
|   | Anchor Sanitary Ware Pvt.Ltd.                     |                                       |
|   | Aimler Ceramic                                    |                                       |
|   | Racy Sanitary Wares                               | 21.4%                                 |
|   | Eros For Sanitaryware                             | 69.5%                                 |
|   | Cooperating companies outside the sample**        | 36.2%                                 |
|   | Others  | 83.4%                                 |

\* Those companies/manufacturers are (1) ANBI TECHNOLOGY CO.,LTD GUANGDONG, and (2) CHAOAN OUNI CERAMICS INDUSTRIAL CO., LTD CHAOZHOU.

\*\* Those companies/manufacturers are (1) Sanitaryware Limited Cera, (2) CERAMICS LIMITED SOMANY, (3) SANITARYWARE NEOLEX, and (4) CERAMICS SCOTLANE.





## Excise Tax

### Cabinet Decision No. 197 of 2025 — New Rate Structure for Sweetened Drinks

The UAE Cabinet has issued Cabinet Decision No. 197 of 2025 setting out excise goods, rates/amounts, and calculation methods, effective 1 January 2026. Excise tax applies to tobacco and tobacco products, liquids used in electronic smoking devices and tools, electronic smoking devices and tools, energy drinks, and sweetened drinks

#### Key highlights:

Sweetened drinks are defined as any product to which a source of sugar, artificial sweeteners, or any other sweeteners have been added, and that is produced for consumption as a drink, whether ready-to-drink, concentrate, powder, gel, extract or any form that can be converted into a sweetened drink.

Sweetened drinks are subject to tiered, specific amounts based on sugar or sweetener content per 100 ml, with defined AED-per-litre rates, while other categories remain taxed at 100% i.e. ad-valorem model.

Following are the excise goods and excise tax rates/amounts that are applicable in the UAE.

| Excise good   | Rate/amount        |
|---|--------------------|
| Tobacco and tobacco products  | 100% (no change)   |
| Liquids used in electronic smoking devices and tools  | 100% (no change)   |
| Electronic smoking devices and tools  | 100% (no change)   |
| Energy drinks   | 100% (no change)   |
| Sweetened drinks: 5–<8 g sugar/other sweeteners per 100 ml  | AED 0.79 per litre |
| Sweetened drinks: ≥8 g sugar/other sweeteners per 100 ml  | AED 1.09 per litre |
| Sweetened drinks: <5 g sugar/other sweeteners per 100 ml  | AED 0 per litre    |
| Sweetened drinks: only artificial sweeteners, or artificial sweeteners and <5 g sugar/other sweeteners per 100 ml | AED 0 per litre    |

#### Practical implications and next steps:

- Producers, importers and stockpiler should validate sugar/sweetener content in the sweetened drink and understand their excise tax compliance obligations.
- Obtain a laboratory report from a MOIAT accredited laboratory confirming the sugar and sweetener content to avoid defaulting to the highest category of excise tax.
- Review and action on any necessary updates to product registration with the tax authority to ensure compliance.
- Businesses must confirm if products fall within exclusions (e.g., milk-based or medical/special-diet) and retain required documentation to substantiate such classification.



For more details and to access comprehensive updates, please refer to the full text of Cabinet Decision No. 197 of 2025 [here](#).



## Excise Tax

### Administrative Penalties Update — Cabinet Decision No. 129 of 2025 (Amending Cabinet Decision No. 40 of 2017)

Cabinet Decision No. 129 of 2025 amends Cabinet Decision No. 40 of 2017 on tax administrative penalties, effective 14 April 2026.

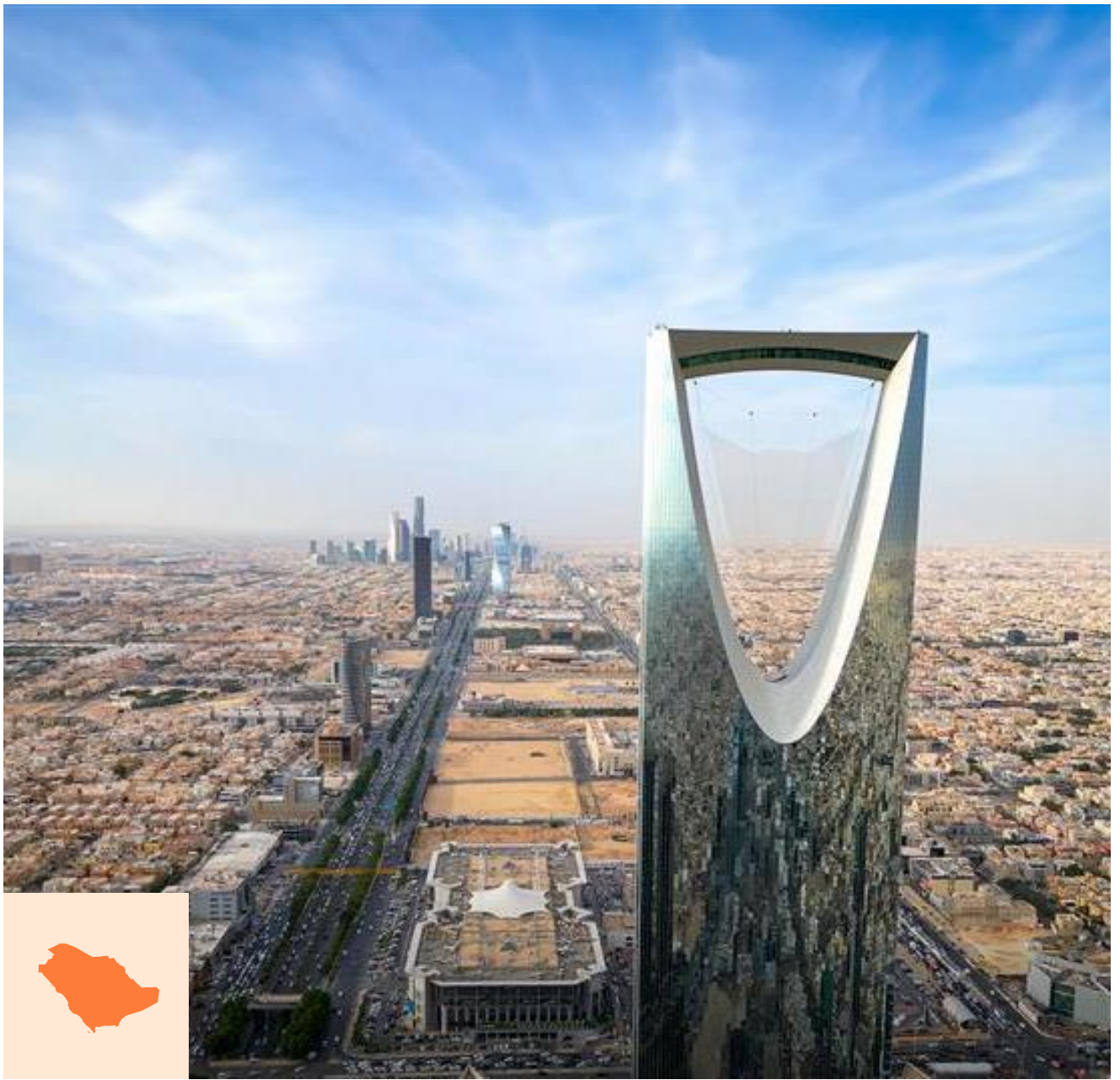
#### Key highlights:

The following are sample of the payment timing and compliance penalty updates, clarifying Voluntary Disclosure (“VD”)/assessment due dates and adjusting specific amounts and caps.

| Violation                                 | Updated penalty   |
|---|---|
| Late deregistration                       | AED 1,000 monthly (capped at AED 10,000).   |
| Late tax return                           | AED 1,000 first time; AED 2,000 if repeated within 24 months.   |
| Late payment                              | Monthly penalty at 14% per annum; for VD/Assessment, payment due 20 business days after submission/receipt. |
| Incorrect tax return                      | AED 500, unless corrected on time or via VD with no tax difference.   |
| VDs                                       | 1% per month on the tax difference until the VD date.   |
| No VD before audit notice                 | 15% fixed plus 1% per month on the tax difference (timing as per table).                                    |
| Failure to facilitate Tax Audit           | AED 20,000.   |
| Failure to calculate on behalf of another | Monthly penalty at 14% per annum; 20 business day rule applies.   |
| Import tax not calculated                 | 50% of unpaid or undeclared tax.  |



For more details and to access comprehensive updates, please refer to the full text of Cabinet Decision No. 129 of 2025 [here](#).



# Saudi Arabia Indirect Tax updates

# 03



## Value Added Tax

### Effective date of the amendments to the VAT regulations concerning VAT grouping

The Zakat, Tax and Customs Authority (ZATCA) announced effective from **15 October 2025**, changes in the VAT grouping requirements in the Kingdom of Saudi Arabia, as follows:

- **Residency & VAT Eligibility:** All members must be residents in the Kingdom and eligible for VAT registration.
- **Control Requirement:** At least 50% ownership, voting rights, or market value must be directly or indirectly held by the same legal person(s), or one member must have effective control over the others.
- **Special Zones Restriction:** Group members must not be licensed to operate in special economic zones with unique regulatory treatment or be part of another VAT group under customs suspension arrangements.
- **Refund Eligibility:** Applicants or group members must not be classified as VAT refund eligible persons under Article 70 of the VAT Implementing Regulations, except:
  - Licensed real estate developers whose activities are limited solely to property sales and transfers of ownership to his employees;
  - Eligible person for refund as a donor to public benefit projects.

All conditions must be continuously met throughout the duration of the VAT group's registration.

Additionally, a new requirement has been introduced mandating the submission of a copy of the agreement between the parties as part of the VAT group registration application. This agreement must outline the relevant commitments and obligations of each member.

For further insights on implementing these changes refer to the Official Gazette accessible through this [link](#).







## Value Added Tax

### ZATCA issues guidance on deemed supplier obligations for electronic marketplaces

The ZATCA has issued detailed guidance clarifying the application of the deemed supplier rules for electronic marketplaces under Article 47 of the Saudi VAT Implementing Regulations. The guidance supports the regulatory amendments published in April 2025 and provides practical direction ahead of the rules becoming effective from **1 January 2026**.

The guidance aims to clarify when an electronic marketplace is treated as the supplier for VAT purposes and outlines the related compliance, invoicing, and due diligence obligations.

- **Electronic marketplaces treated as deemed suppliers:** Electronic marketplaces may be regarded as the supplier for VAT purposes where they facilitate supplies made by nonresident suppliers or resident suppliers who are not VAT registered, subject to meeting specific facilitation conditions.
- **Scope of facilitation clarified:** The guidance explains what constitutes facilitation, including involvement in ordering, payment processing, or setting the terms of supply, while also identifying activities that do not trigger deemed supplier status.
- **Due diligence and documentation requirements:** Marketplaces are required to perform reasonable checks to determine the VAT registration status and residency of underlying suppliers and to retain supporting documentation.
- **VAT accounting and invoicing obligations:** Where deemed supplier status applies, the marketplace is responsible for issuing tax invoices, charging VAT at the applicable rate, and reporting the supply in its VAT return.
- **Exclusions and exceptions:** Certain supplies and business models may fall outside the deemed supplier regime, including cases where the marketplace does not materially intervene in the supply.

### What this means for businesses

- **Early impact assessment:** Electronic marketplaces should assess whether their operating model falls within the scope of the deemed supplier rules.
- **Process and system readiness:** Changes may be required to invoicing systems, VAT reporting processes, and contractual arrangements with sellers.
- **Supplier onboarding and controls:** Enhanced onboarding procedures and ongoing monitoring will be critical to support VAT treatment and audit readiness.
- **Contractual and commercial review:** Existing agreements with sellers should be reviewed to reflect VAT responsibilities and risk allocation under the new regime.

For further insights on implementing these changes refer to the Official publication accessible through this [link](#).







## Customs

### **New HS codes and key amendments to Saudi Arabia's customs tariff, effective 1 January 2026.**

Umm Al-Qura Official Gazette has published a resolution issued by the Minister of Finance and Chairman of the Board of the Zakat, Tax and Customs Authority, approving amendments to customs duties on selected goods as part of a broader regulatory efforts to enhance Saudi Arabia's customs framework and support national economic objectives.

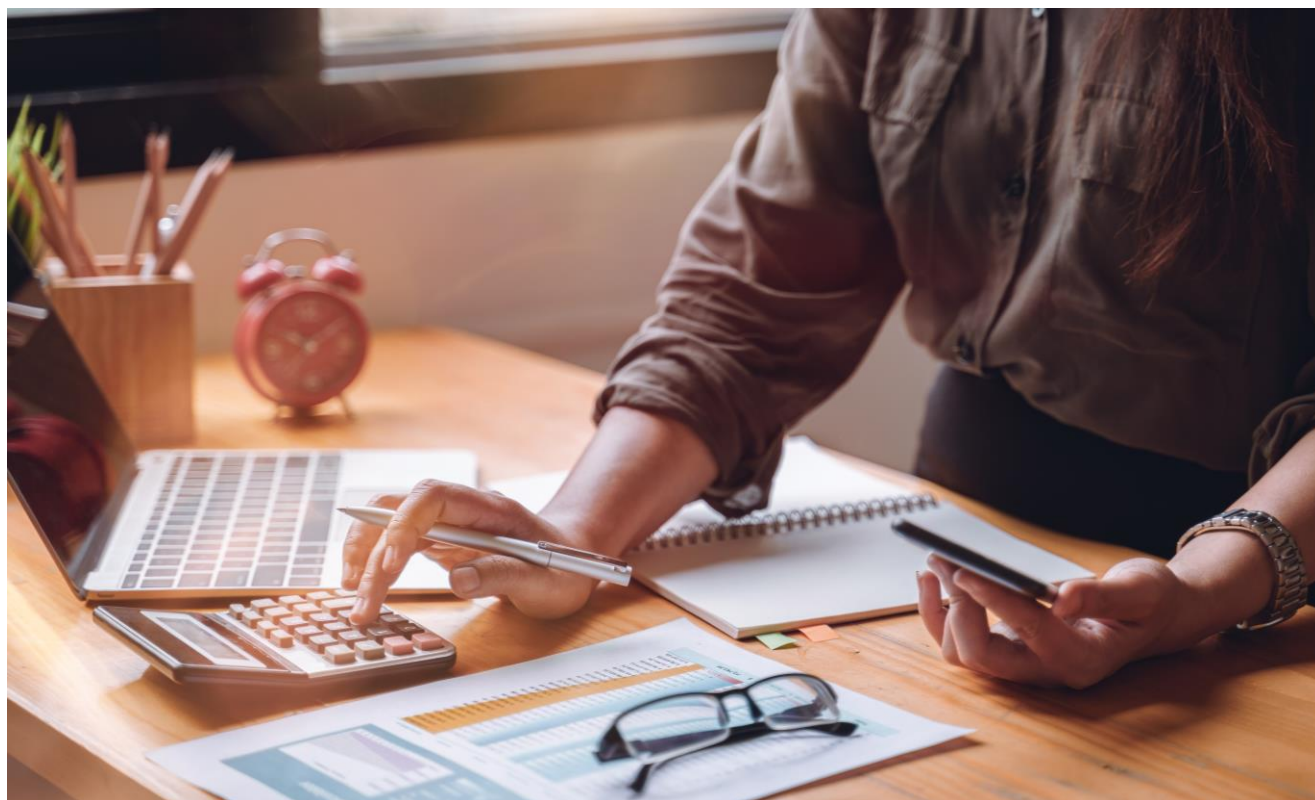
#### **Key highlights:**

Key elements of the resolution include:

- Adjustments to customs duty rates within WTO-bound tariff ceilings;
- Increasing duties on selected electrical components from 5% to 15%; and
- Amendments to the Integrated Customs Tariff Schedule introducing new and revised HS codes, considering the recent developments on the Excise Tax rules.

These measures are designed to:

- Strengthen the competitiveness of local industries;
- Support domestic manufacturing and supply chain resilience;
- Enhance alignment with international trade standards; and
- Advance Saudi Arabia's Vision 2030 economic transformation agenda.



Find [here](#) the full text of the resolution along with the impacted HS codes and corresponding rates.








## Excise Tax

### **Zakat, Tax and Customs Authority has approved amendments to the Executive Regulations of the Excise Tax in Saudi Arabia, effective 1 January 2026.**

The update introduces a new mechanism for calculating excise tax on sweetened beverages. The excise tax rate will no longer be a flat 50% ad-valorem rate but will instead be based on sugar-content tiers with fixed specific rates per liter, reaching up to SAR 1.09 per liter for the highest tier.

#### **Key highlights:**

-  **Transitional period:** The new amendments will take effect starting January 1, 2026. For excisable goods acquired before this date and taxed under the previous rates, owners can apply for refunds or settle differences resulting from the new rules, provided they meet the conditions and submit supporting documents within the regulatory deadline.
-  **Inventory subject to rate decreases:** Taxpayers may claim a refund of the tax differential on unsold inventory held at the effective date, subject to submission within 90 days, evidence that the price reduction has been reflected in retail prices, and the provision of supporting documentation.
-  **Rate or base increases:** Specific transitional measures apply to ensure an appropriate transition in cases where tax rates or the taxable base increase.
-  **Registration:** Mandatory pre-registration of goods and any subsequent updates is required. The authority may review, amend, or request clarification of submitted information where data is incomplete, inaccurate, or questionable. Taxpayers must document the methodology used to determine the retail selling price and provide supporting evidence upon request.
-  **Returns:** Excise tax returns shall continue to be filed on a bi-monthly basis, with tax calculated and applied at the rate in force at the time the goods are released for consumption.



Find the full text of the resolution [here](#) (available in Arabic only).



# Oman Indirect Tax updates

# 04





## Excise Tax

**The Oman Tax Authority (“OTA”) has confirmed the suspension and postponement of the Digital Tax Stamp (“DTS”) requirements for soft drinks.**

- The obligation to apply the DTS at customs has been suspended, and the local application requirement that was expected to come into effect on 1 January 2026 has been postponed until further notice.
- OTA has clarified that this decision is strictly limited to soft drinks and does not impact the implementation of the DTS system for other excise goods, which continues to apply as announced.
- The stated objective is to support procedural smoothness and ensure that businesses and supply chains are technically and operationally ready before implementation.

### **OTA announces excise tax warehousing system activation**

- OTA has announced the imminent activation of the excise tax warehousing system. This system will allow excisable goods to be stored under excise tax suspension within warehouses licensed by OTA. The framework is intended to enhance excise tax compliance, improve monitoring of excisable goods and align Oman’s excise control environment with international practices.
- Under the new framework, the use of tax warehouses will be limited to excisable goods and subject to approval by OTA. Licensed warehouses will be required to meet specific technical, security and operational conditions, including surveillance systems, stock tracking, application of First-In, First-Out (FIFO) inventory principles and the use of barcodes for identification and monitoring.
- The storage period for excisable goods in a tax warehouse will generally be limited to seven (7) months, with extensions subject to the OTA’s approval. Legal and financial responsibility for goods stored in the warehouse will rest with the licensee. Certain exemptions from technical requirements are expected to apply to duty-free markets.

### **Practical implications and next steps:**

- From a practical perspective, the postponement of the DTS requirement for soft drinks provides short-term compliance relief for affected businesses and reduces immediate cost and implementation pressures. However, this should not be interpreted as a wider softening of excise enforcement, particularly given the continued rollout of the tax warehousing framework and the ongoing application of the DTS to other excise goods.
- Businesses dealing in excisable goods should take this opportunity to review their excise operating models, assess whether the use of tax warehousing could be commercially and operationally beneficial, and evaluate their readiness against the upcoming licensing and technical requirements. Early preparation, particularly around systems, documentation and warehouse infrastructure, will be key to managing compliance risks once applications for tax warehouse licenses formally open.

For the official news publication, please refer to this [link](#).





## eInvoicing

**As part of the OTA e-Invoicing project (Fawtara) implementation plan, OTA has made few announcements on the launch of the program.**

- **E-Invoicing Data Dictionary:** we understand that the OTA has shared the first version of the e-Invoicing Data Dictionary with the selected taxpayers for the first phase of Fawtara.
- **Public Consultation workshops:** The OTA commenced the public consultation workshops.
- **E-invoicing details on OTA website:** The OTA launched a new page on their website on e-Invoicing.

### **E-Invoicing Data Dictionary:**

The OTA has shared the first version of the e-Invoicing Data Dictionary with the selected taxpayers for the first phase of Fawtara. We understand that this version is for public consultation and the OTA expecting to receive feedback from taxpayers on this.

The Data Dictionary includes 3 tabs:

1. **Business Terms:** lists all the business terms descriptions, structure, format and specifications.
2. **Business Rules:** list of validation and conditions on each data field required for e-Invoicing.
3. **Code list:** list of predefined set of standardized codes used to ensure consistency.



Further details for Oman Tax News Update are available through this [link](#).





## eInvoicing

### Public Consultation workshops

The OTA commenced the public consultation workshops, starting with the selected taxpayers for the first phase of Fawtara. During the first session, the OTA representatives provided further details about the e-Invoicing implementation plan.

### Timeline

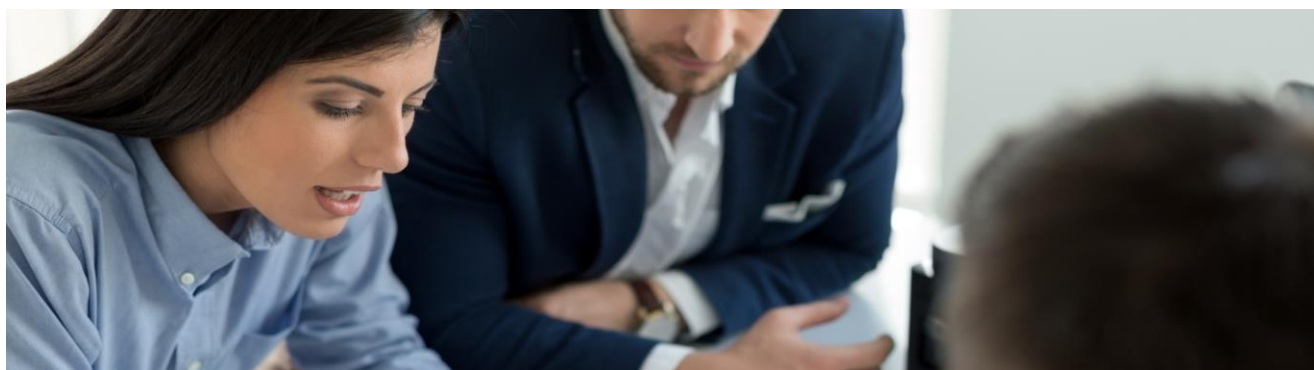
The OTA clarified the timeline for releases as follows:

- **Q4 2025 – Release 0** The e-Invoicing Data Dictionary.
- **Q1 2026 – Release 1** Service providers registration: OTA will release a registration portal for interested prospective Service Providers to submit their application to be accredited.
- **Q2 2026 - Release 2** Service providers testing: OTA will enable Service Providers who have gone through the application process to proceed with testing and compliance check. Such test will be conducting by the Service Providers against Oman e-Invoicing requirements.
- **Q3 2026 - Release 3** E-invoices Exchange: OTA will commence the exchange of E-invoices and receiving E-invoices data from the Service Providers. During this time, taxpayers can exchange E-invoices with each other using their Service provider with tax data being reported to Fawtara in the process.

### E-invoicing details on OTA website:

The OTA launched a new page on their website on e-Invoicing. The first section includes introduction on e-Invoicing, in addition to the objectives of the Fawtara program.

The page provides high-level details on the Targeted Groups, Implementation Phases & Timeline and How the System Works. It also includes the expected benefits of implementing the program for the Government, for Businesses, and for Citizens.



Further details for Oman Tax News Update are available through this [link](#).



## eInvoicing

### Service Provider Accreditation Criteria

The OTA published the Service Provider Accreditation Criteria in their website.

These criteria outline the mandatory requirements, technical standards, and compliance obligations that companies must meet in order to be qualified as Accredited Service Providers (ASPs).

#### Service Provider Criteria

1. Commercially registered in mainland Oman Requirement
2. Paid up Capital of at least OMR 60,000
3. Company or parent company operational for at least 1 year for Riyadh card holders and at least 2 years in all other cases
4. Declaration of no bankruptcy, insolvency, and criminal proceedings.
5. Not subject to tax debt collection procedures
6. Technical & Security requirements. The service provider must present the following information & documents:

This serves as a reference guide for all interested service providers to understand the accreditation process, the supporting evidence required, and the expectations set by OTA. It aims to ensure a transparent, fair, and secure digital ecosystem that enables seamless e-invoice exchange across Oman.



Further details for Oman Tax News Update are available through this [link](#).

# A selection of PwC ME events



**PwC Middle East Tax and Legal Alumni Event 2025**

A special evening bringing together our PwC Middle East Tax & Legal Services alumni community to reconnect, exchange insights, and strengthen professional ties. Set in Dubai, the event offers a valuable opportunity to revisit shared experiences, expand networks across the industry, and hear updates on our latest TLS initiatives.



**UAE Tax Updates for Chinese Business Community**

In November 2025, PwC hosted nearly 100 representatives from leading Chinese companies at our Dubai Experience Center to explore recent UAE policy and regulatory updates. We also shared key insights from the first Corporate Tax return cycle, outlining lessons learned and best practices. A highly engaging session that strengthened our ongoing partnership with Chinese businesses in the UAE.



**PwC Saudi Arabia Tax & Legal Seminar Series 2025**

Concluded our PwC Saudi Arabia Tax & Legal Seminar Series in Riyadh after earlier stops in Jeddah and AlKhobar, engaging 500+ senior executives and tax professionals. The series highlighted how AI and digital innovation are transforming the Kingdom's tax and legal landscape—advancing transparency, efficiency, and data-driven decisions in line with Vision 2030—and emphasized the shift from reactive compliance to proactive, insight-led operations.



**PwC Bahrain Annual Tax Seminar**

PwC Middle East's Bahrain Annual Tax Seminar 2025 highlighted recent tax developments affecting Bahrain and the GCC, with a focus on Pillar Two, corporate income tax, VAT, e-invoicing, and technology-enabled tax transformation.

# The takeaway

**Staying ahead of change is no longer optional.** Taxpayers are now, more than ever, expected to keep pace with the rapid evolution of indirect tax regulations across the region and ensure they remain fully compliant and future-ready. Proactive monitoring and timely action are critical to mitigating risks and seizing opportunities in this dynamic environment.

If you would like to explore how these developments impact your business or discuss the key insights highlighted in this publication, please reach out to us for a deeper conversation.

[www.pwc.com/me](http://www.pwc.com/me)

## Let’s talk

For a deeper discussion of how this issue might affect your business, please contact:

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# Thank you

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