Emirates

Tax Updates

July 2026

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Dear Valued Readers,

"The best way to predict the future is to be prepared for it."

In an environment where change continues to shape the way businesses operate, staying informed is no longer just a matter of compliance; it is an important part of responsible leadership. Every month brings new developments, new interpretations, and new expectations, and each of these has the potential to influence business planning, decision-making, and long-term confidence.

This edition of our Tax Updates brings together important developments from the UAE and other key jurisdictions, presented with the intention of helping our readers remain aware, prepared, and confident. While tax updates can often appear highly technical, their real value lies in what they mean for businesses: the need to review, adapt, and move forward with clarity.

At CLA Emirates, we believe that timely knowledge empowers better choices. Our role is not only to share updates, but also to help businesses understand the broader direction of change and its practical relevance. Whether it is corporate tax, VAT, e-invoicing, treaty developments, or wider regional and international updates, the pace of change reminds us that organisations must remain agile, well-informed, and proactive.

For business leaders, these updates are more than periodic announcements. They are signals that support better governance, stronger planning, and more effective conversations within the organisation. The businesses that succeed in today's environment are those that do not wait for change to become urgent; they prepare early, ask the right questions, and build systems that can respond with confidence.

I hope this update serves as a useful reference for you and your teams. We remain committed to bringing you relevant insights in a clear, practical, and accessible manner, so that you can focus on what matters most: leading your business with clarity, confidence, and resilience.

I would also like to sincerely appreciate the team behind this publication. Their consistent effort in tracking developments, simplifying key messages, and bringing together updates across jurisdictions is what makes this initiative meaningful for our readers. It reflects the commitment, attention to detail, and collaborative spirit that we value deeply at CLA Emirates.

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Contents

United Arab Emirates

FTA Decision No. 12 on Top-Up Tax Registration and Deregistration Timelines

On August 4, 2026, the UAE Federal Tax Authority (FTA) published Federal Tax Authority Decision No. 12 of 2026 on the requirements for registration and deregistration of entities for the purposes of Cabinet Decision No. 142 of 2024 on the Imposition of Top-Up Tax on Multinational Enterprises. The decision setting out the compliance timelines under the UAE Pillar Two regime as follows –

- Registration –
    - Entities subject to Top-Up Tax must register within 7 months after the end of their first in-scope Fiscal Year.
    - Entities with a Fiscal Year ending before April 30, 2026, must register on or before November 30, 2026.
- Deregistration –
    - An entity must submit a deregistration application within 6 months from the earliest of
        1. Date of cessation, or
        2. The end of the Fiscal Year in which it leaves an MNE Group and is no longer in scope.
    - An entity ceasing to exist before June 30, 2026, must deregister on or before December 31, 2026.

For more information check out our LinkedIn page – CLA Emirates

Small Business Tax Bulletin

On July 30, 2026, the FTA published Basic Tax Information Bulletin for Small Business for Corporate Tax (CT), covering the below points

- Registration requirements and its exceptions
- CT registration and return filing deadline
- Eligibility of Small Business Relief (SBR)
- Record keeping

Public Clarification on CT Treatment of Payments on AT1 Instruments Issued by Banks

On July 30, 2026, the UAE FTA issued CPT012 corporate tax public clarification on Corporate Tax treatment of payments made in respect of Additional Tier 1 (AT1) instruments by banks. The ruling states that if payments (dividends/coupons) made by a bank in respect of AT1 instruments are not included in its accounting income, those payments are not deductible for Corporate Tax purposes.

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Summary of Private Clarification Issued up to May 2026

On July 9, 2026, the UAE FTA published Summary of FTA Private Clarifications issued up to May 2026, bringing together guidance issued on a range of Corporate Tax matters. This publication provides valuable insights into the FTA's interpretation of several important areas, including:

- Qualifying Free Zone Persons (QFZP)
- Qualifying Income
- Adequate Substance requirements
- Transfer Pricing adjustments
- Participation Exemption
- Tax Groups
- Transitional Relief
- Other Corporate Tax compliance matters

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FTA Decision No. 6 of 2026 on Additional Procedures for the Compliance of QFZP Engaged in the Distribution Activity in or from a Designated Zone

On July 14, 2026, the UAE FTA published FTA Decision No. 6 of 2026 on determining the additional procedures for the compliance of Qualifying Free Zone Persons engaged in the activity of distribution of goods or materials in or from a Designated Zone for the purposes of the taxation of corporations and businesses. The decision introduces specific compliance requirements for Qualifying Free Zone Persons (QFZPs) engaged in the activity of distribution of goods or materials in or from a Designated Zone, including the requirement to obtain an Agreed-Upon Procedures (AUP) Report in respect of the relevant qualifying activities.

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Public Clarification on Adjustments to Taxable Income and Disclosure Requirement

On July 15, 2026, the UAE FTA issued CTP011 - Corporate Tax Public Clarification Downward adjustments made by a Taxable Person in the Tax Return to comply with the
Corporate Tax Law. The clarification elucidates the following –

- Any prior year error which requires an upward adjustment where Taxable income is increasing (tax paid was less) and where the tax impact is AED 10,000 or less can be done in current year return.
- Any prior year error which requires a downward adjustment where Taxable income is decreasing (tax paid was more) and where the tax impact is AED 10,000 or less cannot be updated in current year return and needs to be changed via Voluntary disclose.
- Any error which tax impact more than AED10,000 needs to be updated via VD.

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Private Clarification Guidance Updated

On July 15, 2026, the UAE FTA published Private Clarifications Tax Procedures | TPGPC1, bring updates to the tax procedures to avail a private clarification through the FTA. The updates include revision to the whole guide for simplification and amendment of content and added information regarding clarification requests in respect of Pillar Two Top-up Tax.

FTA Decision No. 2 of 2018 on Tax Refunds for Tourists Scheme and its amendments

On July 1, 2026, the UAE FTA issued Federal Tax Authority Decision No. 11 of 2026 concerning the Tax Refunds for Tourists Scheme, replacing the previous FTA Decision No. 2 of 2018 and its amendments. The new decision came into effect on July 12, 2026 and updates the regulatory framework governing the operation of the tourist VAT refund scheme in the UAE. It sets out the requirements, procedures, and responsibilities for retailers, tax refund operators, and tourists claiming VAT refunds on eligible purchases.

VAT Directives on Judicial Expert Services, Output/Input Tax Adjustment for Tax Group, Digital Currency Conversion, Life Insurance Contract Fee and Value of Deemed Supply of Services

- On July 10, 2026, the UAE FTA issued Directive on Tax Transactions No. 1 of 2026 regarding the Value Added Tax (VAT) treatment of judicial expert services.
- On July 10, 2026, the UAE FTA issued Directive on Tax Transactions No. 2 of 2026 regarding the VAT treatment of adjustments to Output Tax and Input Tax following a registrant's exit from a Tax Group, effective from August 1, 2026.
- On July 17, 2026, the UAE FTA published Directive on Tax Transactions No. 3 of 2026 regarding the VAT treatment for converting the value of digital currencies into UAE Dirham.
- On July 17, 2026, the UAE FTA published Directive on Tax Transactions No. 4 of 2026 for VAT on fees and charges forming part of the life insurance contract and life reinsurance contract.
- On July 22, 2026, the UAE FTA issued Directive on Tax Transactions No. 5 of 2026 regarding the VAT on the method to determine the value of deemed supplies of services.

Ministerial Decision No. 96 of 2026 on the Commentary and Agreed Administrative Guidance on the Imposition of Top-Up Tax on Multinational Enterprises

On June 22, 2026, the UAE Ministry of Finance (MoF) issued Ministerial Decision No. 96 of 2026 on the Commentary and Agreed Administrative Guidance for the Purposes of Cabinet Decision No. 142 of 2024 on the Imposition of Top-Up Tax on Multinational Enterprises. As per the decision, the UAE adopts the latest OECD commentary and agreed administrative guidance for qualified Domestic Minimum Top-up Tax, and applies to fiscal years starting on or after January 1, 2025. This repels Ministerial Decision No. 88 of 2025.

Ministerial Decision No. 64 of 2025 and its Amendments On the eligibility criteria and Accreditation procedure for Service Providers under the E-Invoicing System

On July 22, 2026, the UAE FTA issued Federal Tax Authority Decision No. 56 of 2026, setting out the eligibility criteria and accreditation procedures for Service Providers under the UAE Electronic Invoicing System. The Decision was published on July 22, 2026, and became effective from May 1, 2026.

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Ministerial Decision No. 66 of 2026 on The Implementation of the e-Invoicing System

On July 3, 2026, the UAE FTA published Ministerial Decision No. 66 of 2026 on The Implementation of the Electronic Invoicing System. The decision establishes the framework, rules, timelines for implementing and exemptions of e-invoicing system in the UAE.

For more information check out our LinkedIn page – CLA Emirates

Qatar

Qatar – UAE Tax Treaty Ratification

On June 25, 2026, Qatar published Decree No. (39) of 2026 in Issue 11 of the Official Gazette, on the ratification of the Double Tax Treaty (DTT) between Qatar and the United Arab Emirates for the avoidance of double taxation with respect to taxes on income and for the prevention of tax evasion and avoidance. Once effective, its provisions will be applicable to payments made on or after January 1 of the year following the date of entry into force.

Kingdom of Bahrain

Excise Guide Updated

On June 29, 2026, the National Bureau for Revenue (NBR) of Bahrain updated its Excise Guide. The revised guide provides an overview of Bahrain's Excise Tax framework, including the general principles, registration and compliance requirements, filing and payment obligations, and the procedures applicable to persons dealing with excise goods. The update is intended to assist taxpayers in understanding and complying with the Excise Tax rules and administrative requirements in Bahrain.

Kuwait

Kuwait – Hungary Tax Treaty Amendment

On June 29, 2026, the Hungarian government published resolution 1213/2026 in its official gazette. The document authorizes to establish the text of the protocol amending the Convention between the Republic of Hungary and the State of Kuwait for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income.

On June 29, 2026, the Hungarian government published resolution 1213/2026 in its official gazette.

Saudi Arabia

Fines and Penalties Waiver Initiative Extended

On June 29, 2026, Saudi's Zakat, Tax and Customs Authority (ZATCA) announced the extension to its tax penalty exemption initiative for six months, running from July 1, 2026, to December 31, 2026. The initiative covers fines for late registration, filing, payment, and VAT return corrections, but strictly excludes tax evasion penalties, pre-paid fines, and returns due after June 30, 2026. To qualify, registered taxpayers must file all overdue tax returns and either pay the full principal tax debt or adhere to an approved ZATCA instalment plan.

Saudi Arabia – Canada Tax Treaty Negotiations

On July 9, 2026, the Canadian government announced the launch of a new income tax treaty between the two countries, which is the first of its kind.

Others

India

SAED Increases for Export of Diesel and Aviation Fuel and Reduces for Petrol

On July 15, 2026 the Ministry of Finance, Government of India, issued Notification Nos. 38/2026-Customs and 39/2026-Customs, revising the Special Additional Excise Duty (SAED) applicable to petroleum products. Under the revised rates, the SAED on the export of Diesel and Aviation Turbine Fuel (ATF) has been increased, while the rate applicable to Petrol has been reduced. The updated rates are as follows:

- Diesel: INR 15.5 per litre
- Aviation Turbine Fuel (ATF): INR 14.5 per litre
- Petrol: INR 2.5 per litre

The revised rates took effect from July 16 2026 reflecting the Government's periodic review of windfall taxes on petroleum exports.

"On July 15, 2026 the Ministry of Finance, Government of India, issued Notification Nos. 38/2026-Customs and 39/2026-Customs, revising the Special Additional Excise Duty (SAED) applicable to petroleum products."

Singapore

Advance Ruling on Foreign Dividends to Pay One-Tier Tax-Exempt Dividends

On July 1, 2026, the Inland Revenue Authority of Singapore (IRAS) issued Advance Ruling Summary No. 10/2026. The ruling states that the foreign dividend income used for offshore dividend distribution will not be regarded as received or deemed to be received in Singapore.

Hong Kong

Extension of Return Filing Due Date

On July 14, 2026, the Hong Kong Inland Revenue Department (IRD) issued circular letter to tax representatives on the block extension scheme for lodgement of 2025/26 tax returns. For businesses with accounting date falling between December 1, 2025, and December 31, 2025, the return filing date is extended as below –

- Paper form – from August 17, 2026, to August 31, 2026
- Electronic – from September 17, 2026, to October 2, 2026

United States

Launch of Automatic Exemption from Penalty (AEP)

On July 8, 2026, the US Internal Revenue Service (IRS) announced the introduction of Automatic Exemption from Penalty (AEP), which automatically applies penalty relief for eligible taxpayers without requiring a formal request. This will replace First Time Abate (FTA) administrative relief program. It applies to eligible original returns starting with tax year 2025, 2026 quarterly returns, and future tax periods. Covered Penalties are:

- Failure to file
- Failure to pay
- Failure to deposit

United Kingdom

Public Consultation on VAT on Land for Social Housing and WHT Simplification

- On June 23, 2026, the UK HM Revenue & Customs (HMRC) opened a public consultation on the introduction of a new VAT zero rate for land intended for the construction of social housing. The consultation is open till August 18, 2026.
- On July 13, 2026, the UK HMRC opened a public consultation on simplifying treaty relief from Withholding Tax (WHT) on interest paid overseas. The consultation aims to streamline and simplify the process for taxpayers, reducing administrative burdens while preserving strong protections against tax avoidance. The consultation is open till September 7, 2026.

0% VAT on Electricity Bills

On July 21, 2026, the UK government announced a tax cut on electricity bills. VAT on domestic electricity bills will be reduced from 5% to 0% starting October 1, 2026.

Policy Paper on Capital Goods Scheme Guidance

On July 8, 2026, the UK HMRC issued policy paper on the simplification of the Capital Goods Scheme (CGS) to reduce the administrative burden for VAT-registered businesses. Effective from July 29, 2026, the following applies:

- Computers and items of computer equipment will be removed from the list of assets covered by the scheme
- The expenditure threshold for land, buildings and civil engineering work will increase from £250,000 (exclusive of VAT) to £600,000 (exclusive of VAT)

Guidance on the Submission of Pillar 2 Top-Up Tax

On June 30, 2026, the UK HMRC issued notice on guidance on how to submit returns for Pillar 2 top-up taxes. This notice gives clear rules on how to:

- Submit, update, or cancel the UK tax returns
- Notify HMRC if the group falls below the threshold to submit
- Inform HMRC if GLoBE information has already been filed in another country

"On July 8, 2026, the UK HMRC issued policy paper on the simplification of the Capital Goods Scheme (CGS) to reduce the administrative burden for VAT-registered businesses."

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    - **Cybersecurity & AI Governance** - NESA/SIA readiness | ISO 27001 readiness | ISO 42001 readiness
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