



# GCC tax summary

As one of the GCC's most comprehensive business advisors, services provided by the Keypoint group include accounting solutions, corporate advisory, investment administration and share registry services, trust services, IT consulting, tax services, human capital solutions, management consulting, regulatory compliance advisory and real estate transaction advisory services. Our consultants add value to a wide range of clients, from large multinationals and financial services and insurance institutions to family-managed conglomerates and small, to medium-sized enterprises.

# Introduction

Value-added tax (VAT) was introduced in the UAE and the Kingdom of Saudi Arabia on 1 January 2018 and in the Kingdom of Bahrain on 1 January 2019 – meaning we have now entered the sixth year of VAT in the GCC. With corporation tax soon to apply in the UAE – to qualifying resident businesses with financial years starting from 1 June 2023 – the GCC tax landscape continues to evolve. In addition, with GCC states signing up to global programmes aimed at a fairer, more transparent application of tax – such as the OECD’s base erosion and profit shifting (BEPS) initiative – the one constant that can be expected from GCC taxation is change.

To give you a snapshot of the GCC taxation system as it stands today<sup>1</sup>, this guide outlines the tax regimes in each of the six GCC member states (Saudi Arabia, the UAE, Qatar, Oman, Kuwait and Bahrain) and covers both indirect and direct tax matters – such as corporation tax, withholding tax, capital gains and transfer pricing. In addition, each section contains a country ‘snapshot’, which sets out some useful information about each jurisdiction.

The guide also includes details of our tax leaders, who would be pleased to help you solve any current or upcoming tax issues or answer any tax questions. **This guide is for information purposes only and is not intended to be a substitute for tax advice tailored to your own individual circumstances.**

<sup>1</sup>All data is correct as of 1 March 2023

# Our tax leaders



**George Campbell**

**Senior Director | Head of Tax**

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George was a founder of our tax advisory practice in 2017. He has worked with 'Big 4' firms in the UK and across the GCC, and has a master's degree in economics from the University of Glasgow (Scotland).



**Raman Ohri**

**Leader | Direct tax**

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A chartered tax advisor (CTA (UK)) with broad tax expertise, Raman Ohri has 'Big 4' and top tier tax experience from the UK and GCC. He leads our direct tax practice.



**Tariq Haq**

**Senior Manager | VAT**

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Tariq has worked with a 'Big 4' as well as a leading national tax authority (His Majesty's Revenue & Customs (UK)), has audited and tested financial systems in large (up to GBP200m) companies across sectors including manufacturing, distribution, imports, technology, retail and financial institutions.

Other members of the team include emerging GCC subject matter experts with a range of interests and focus areas.

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The information in this document is based on translations of relevant GCC legislation and observed practice. It is provided for information purposes only. Any omissions or errors are inadvertent. This document should not be relied upon to make decisions. Seek appropriate professional advice from a tax or legal advisor before making any decisions relating to your particular circumstances.

# Saudi Arabia

## Direct taxes

### Tax authority

- Zakat, Tax and Customs Authority (ZATCA)

### Corporate tax (CT)

- Corporate income tax:
  - 20% (standard rate)
  - Branch tax 20% (+5% branch remittance tax)
- Zakat:
  - 2.5% on the higher of the balance sheet and net adjusted profits of Saudi/GCC shareholders

### Tax filing & payments

- File returns online within 120 days of the fiscal year-end and pay due tax
- Taxpayers with taxable income >SAR1m before expenses must have the return certified
- Audited financial statements must be filed with the Ministry of Commerce within 120 days of the year-end

### Withholding tax (WHT)

- WHT deductible at various rates on payments made to non-residents
- Settle with ZATCA within 10 days after the end of the month in which payment has been made

### Capital gains tax

- 20%

### Tax on dividends

- 5% WHT on dividends paid to non-residents

### Social security contributions

- Employer pays 12% of Saudi employees' salaries to GOSI
- Saudi employees contribute 10%
- Employer pays accident insurance (2% of salaries) for non-Saudi employees

### Transfer pricing

- Submit TP disclosure form and affidavit from a licensed auditor certifying that the taxpayer's TP policy has been applied consistently with annual income tax return within 120 days of the financial year-end
- Maintain and submit master and local file within 30 days of a ZATCA request if aggregate arm's length value of related party transactions >SAR6m

### Country-by-country reporting

- Saudi Arabian entities that are members of groups with turnover >SAR3.2b should submit CbC reports within 12 months of the fiscal year-end
- Notifications regarding ultimate parent entities not based in Saudi Arabia should be submitted 120 days after the fiscal year-end (with the annual income tax return)

### Economic substance

- Does not apply

# Saudi Arabia

## Value-added tax

### Effective date

- 1 January 2018

### Current VAT rates

- 15% standard-rate (5% until 30 June 2020)
- 0%

### VAT period

- Annual taxable supplies >SAR40m – monthly
- Annual taxable supplies <SAR40m – quarterly

### VAT filing/payment

- Submit VAT return and pay VAT liability by the last day of the month after the end of each VAT period

### VAT registration threshold - residents

- Mandatory registration: taxable supplies >SAR375,000 in the last 12 months – or expected over the next 12 months
- Voluntary registration: taxable supplies or expenses >SAR187,500 in the last 12 months – or expected over the next 12 months

### VAT registration threshold - non-residents

- Non-resident supplier required to register for VAT as soon as they start making taxable supplies in Saudi Arabia if no one else is liable to account for the VAT due on those supplies

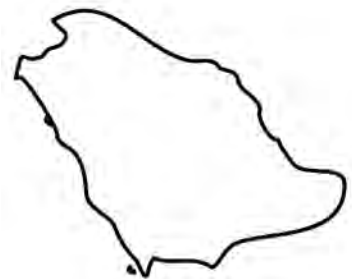
### Zero-rated supplies

- Exports of goods/services
- International transportation of goods/passengers (and related services)
- Qualifying means of transport
- Qualifying medicines and qualifying medical goods
- Qualifying metals

### Exempt supplies

- Financial services (except where consideration is an explicit fee or commission)
- Islamic finance products
- Life insurance (and its reinsurance)
- Rental of qualifying residential real estate
- Sale of real estate
- Diplomatic and military exemptions
- Import exemptions for people with special needs
- Other specific exemptions at import (e.g. personal luggage)

## Snapshot



**GDP:** USD792.849b

**Area:** 2,149,690km<sup>2</sup>

**Population:** 35,354,380

**Natural resources:** Petroleum, natural gas, iron ore, gold, copper

**Time zone:** UTC+3

**Proven petroleum reserves:** 16% of global reserves

**Key industries:** Crude oil production, petroleum refining, basic petrochemicals, ammonia, industrial gases, sodium hydroxide, cement

**Currency:** Saudi riyal (SAR) | SAR1 = USD0.27

## Direct taxes

### Tax authority

- Federal Tax Authority (FTA)

### Corporate tax (CT)

- From or after 1 June 2023
- Rates:
  - Annual taxable profits <AED375,000 – 0%
  - Annual taxable profits >AED375,000 – 9%
- Free zone companies on qualifying income – 0%

### Tax filing & payments

- Tax return and payment is due nine months from the end of each accounting period
- Oil & gas exploration and production companies taxed at progressive rates up to 55% (rates can be agreed with relevant authorities under specific concessions)
- Branches of foreign banks are taxed at a flat rate of 20%

### Withholding tax (WHT)

- 0% on state sourced income earned by a non-resident person

### Capital gains tax

- Exempt if the income is from a qualifying participating interest

### Tax on dividends

- Exempt if received from a resident juridical person or from a qualifying participating interest in a foreign juridical person

### Social security contributions

- Employer/pension contribution rates 12.5%/5% for UAE nationals based on monthly contractual salaries, including basic allowances
- Contribution rates and bases for other GCC nationals broadly similar
- Non-GCC nationals entitled to an end-of-service benefit (EOSB) if contract terminated after completion of at least one year of service – 21 days/year basic for first five years of employment plus 30 days/year basic for each additional year of service up to a maximum of two years' remuneration

### Transfer pricing

- n/a

### Country-by-country reporting

- Annual CbC reporting and/or notification requirements for MNEs with consolidated revenues >AED3.15b

### Economic substance

- ES rules took effect 1 January 2019
- Onshore and free zone companies that undertake a 'relevant' activity must file a notification and an ES report on the FTA portal
  - Notifications within six months of the financial year end
  - ES reports within 12 months of the financial year end
- Relevant activities include:
  - Banking
  - Insurance
  - Investment fund management
  - Lease-finance
  - Headquarters
  - Shipping
  - Holding company
  - Intellectual property
  - Distribution and service centres

## Value-added tax

### Effective date

- 1 January 2018

### VAT rates

- 5% standard-rate
- 0%

### VAT period

- Quarterly for most taxpayers
- FTA can request any taxpayer to submit VAT returns monthly

### VAT filing/payment

- Submit VAT return and pay VAT liability by 28<sup>th</sup> day of the month after the end of each VAT period

### VAT registration threshold - residents

- Mandatory registration: taxable supplies and imports within the UAE >AED375,000 in the last 12 months or expected to be >AED375,000 in the next 30 days.
- Voluntary registration: Taxable supplies and imports or expenses in the UAE >AED187,500 in the last 12 months – or expected to be >AED187,500 in the next 30 days

### VAT registration threshold - non-residents

- Non-resident supplier required to register for VAT as soon as they start making taxable supplies in UAE if no one else is liable to account for the VAT due on those supplies

### Exempt supplies

- Financial services (except where consideration is an explicit fee or commission)
- Life insurance (and its reinsurance)
- Residential buildings (where zero-rate does not apply)
- Bare land
- Local passenger transport

### Zero-rated supplies

- Direct or indirect export of goods or services
- International transport of passengers and goods
- Goods/services used during international transportation
- Certain means of transport intended for transporting passengers or goods
- Aircraft or vessels designated for rescue and assistance by air or sea
- Certain investment precious metals
- First supply of a new/converted residential building
- First supply of building for charities
- Crude oil and natural gas
- Educational services
- Healthcare services

## Snapshot



**GDP:** USD358.9b

**Area:** 83,600km<sup>2</sup>

**Population:** 9,991,000

**Natural resources:** petroleum, natural gas, marine resources

**Time zone:** UTC+4

**Proven petroleum reserves:** 5.9% of global reserves

**Key industries:** Healthcare, e-commerce, retail, banking

**Currency:** UAE dirham (AED) | AED1 = USD0.27

## Direct taxes

### Tax authority

- General Tax Authority

### Corporate tax (CT)

- Imposed on locally sourced income generated from activities performed (wholly/partly), consumed or benefited in Qatar, including gross income from contracts; real estate; the exploration, extraction or exploitation of natural resources; consideration for services paid to a head office, branch or related company; and interest from loans
- Rate: 10% of taxable income

### Tax filing & payments

- Resident companies or with a PE in Qatar must file (and settle) annual income tax returns within 4 months of the company's financial year-end
- Companies must submit audited financial statements with their tax return

### Withholding tax (WHT)

- Imposed on payments to non-residents for services performed wholly or partly in Qatar as well as royalties, interest and commissions
- 5%

### Capital gains tax

- Chargeable gains on sales of capital assets taxed as ordinary income
- Returns should be submitted within 30 days of an asset sale or concluding a contract, whichever is earlier
- Exemptions allowed on capital gains derived from qualifying shareholdings

### Tax on dividends

- n/a

### Social security contributions

- Employers contribute 10% of Qataris employees' basic salary each month
- Qatari nationals with a pension scheme contribute 5% of their basic salary every month
- Some state institutions and global companies have corporate pension schemes

### Transfer pricing

- Entities with related party transactions must submit:
  - TP declaration with annual tax return if annual tax-free turnover or gross assets on balance sheet >QAR10m
  - Local and master file on request if annual tax-free turnover or gross assets on balance sheet >QAR50m and at least one group member resides outside Qatar

### Country-by-country reporting

- Annual CbC reporting and/or notification requirements for MNEs with consolidated revenues >QAR3b

### Economic substance

- ES rules took effect 4 November 2021
- Traders carrying out a 'relevant' activity must demonstrate ES in Qatar if they benefit from a 'preferential tax regime'
- Relevant activities include:
  - Headquarters
  - Distribution and service centres
  - Financing and leasing
  - Insurance
  - Shipping
  - Fund management
  - Banking
  - Holding company
  - Technical consulting
  - Technical training
  - Intellectual property

# Qatar

## Value-added tax

### Effective date

- Not yet implemented.

## Snapshot



**GDP:** USD179.6b

**Area:** 11,571km<sup>2</sup>

**Population:** 2,931,000

**Natural resources:** Natural gas, petroleum, fishing, pearls, helium

**Time zone:** UTC+3

**Proven gas reserves:** 12% of global reserves

**Key industries:** Natural gas production, crude oil production, petroleum refining, construction, real estate, steel industry, commercial ship repair, helium

**Currency:** Qatari riyal (QAR) | QAR1 = USD0.27

## Direct taxes

### Tax authority

- Oman Tax Authority (OTA)

### Corporate tax (CT)

- Corporate income tax:
  - 15% for all businesses, including branches and PEs of foreign companies
  - 3% for SMEs that meet certain conditions
- Income from petroleum sales taxed at 55%

### Tax filing & payments

- File a single tax return accompanied by audited financial statements within four months of the end of the accounting year and pay tax due
- Obtain tax card number and quote on all contracts, invoices and correspondence with OTA

### Withholding tax (WHT)

- 10% WHT on:
  - Dividends from shares distributed by joint stock companies and investment bonds distributed by investment funds to foreign companies without a PE – currently deferred
  - Interest paid to non-residents without a PE – currently deferred
  - Gross royalties for non-residents without a PE who derive Omani-sourced royalties – payments for use of/right to use software, intellectual property rights, patents, trademarks, drawings and equipment rentals
  - Gross technical service fees paid to non-residents without a PE
  - Payments to non-residents subject to WHT at the earlier of payment/accrual

### Capital gains tax

- Capital gains derived from the sale of investments, fixed assets and acquired intangible assets taxed as ordinary income – gains from the sale of locally listed shares are exempt

### Tax on dividends

- 10% WHT on dividends on shares distributed by joint stock companies and investment bond dividends distributed by investment funds to foreign companies without a PE – currently suspended

### Social security contributions

- Private sector employers pay 10.5% of salaries of Omani employees aged 15-59 salary to social security
- Employer pays 1% of monthly salaries for industrial illnesses and injuries
- GCC citizens covered
- Omani private sector employees 15-59 pay 7% of salaries to social security

### Transfer pricing

- Pricing between related parties should be comparable to transactions entered into by unrelated parties

### Country-by-country reporting

- n/a

### Economic substance

- n/a

### Personal income tax

- Oman is intending to implement personal income tax on high wage earners from 2024, being the first country in the GCC to do so

## Value-added tax

### Effective date

- 16 April 2021

### VAT rates

- 5% standard-rate
- 0%

### VAT period

- Quarterly

### VAT filing/payment

- Submit VAT return and pay VAT liability by 30th day of the month after the end of each VAT period

### VAT registration threshold - residents

- Mandatory registration: total value of supplies at the end of any month added to the previous or next 11 months >OMR38,500
- Voluntary registration: total value of supplies/ expenses at the end of any month added to the previous/next 11 months >OMR19,250

### VAT registration threshold – non-residents

- Non-resident supplier required to register for VAT as soon as they start making taxable supplies in Oman if no one else is liable to account for the VAT due on those supplies

### Zero-rated supplies

- Export of goods/services
- Re-exports of imported goods
- Basic food items (where listed)
- Qualifying medicines and qualifying medical equipment
- Supplies of investment gold, silver and platinum
- International transport of goods or passengers (and connected services)
- Qualifying means of transport (and related goods and services)
- Rescue planes and rescue and assistance boats
- Oil, oil derivatives and natural gas

### Exempt supplies

- Financial services (except where consideration is a fee, commission or commercial deduction)
- Life insurance services
- Healthcare services and related goods and services
- Educational services and related goods and services
- Undeveloped (bare) land
- Resale of residential properties
- Local passenger transport
- Rental of residential properties

## Snapshot



**GDP:** USD85.87b

**Area:** 309,501km<sup>2</sup>

**Population:** 35,354,380

**Natural resources:** petroleum, natural gas, copper, asbestos, limestone, chromium, and gypsum

**Time zone:** UTC+4

**Proven petroleum reserves:** 0.3% of global reserves

**Key industries:** Crude oil production, petroleum refining, tourism, agriculture

**Currency:** Omani rial (OMR) | OMR1 = USD2.60

# Kuwait

## Direct taxes

### Tax authority

- Kuwait Tax Authority

### Corporate tax (CT)

- Corporate income tax:
  - 15% (standard rate)
  - Branch tax 15%
- Zakat:
  - 1% of net adjusted profits for Kuwaiti shareholding companies and GCC companies

### Tax filing & payments

- Submit tax declaration for each taxable period by the 15th day of the fourth month following the end of the taxable period
- Foreign entities may request an extension of up to 60 days – subject to certain conditions
- Tax may be settled in a lump sum or paid in four instalments

### Withholding tax (WHT)

- n/a

### Capital gains tax

- Capital gains derived from the sale of assets treated as normal business profits – 15%

### Tax on dividends

- Dividends not taxed
- If a foreign company is a shareholder in a Kuwait entity, its share of profits is subject to corporate income tax in Kuwait

### Social security contributions

- Listed and unlisted KSCs pay 1% of profits to the Kuwait Foundation for the Advancement of Science
- Listed Kuwaiti shareholding companies pay an annual national labour support tax of 2.5% of net profits
- Listed and unlisted Kuwaiti shareholding companies pay 1% of net profits for zakat or as a contribution to the national budget

### Transfer pricing

- No formal TP rules
- Profit margins deemed on:
  - Materials imported by foreign entities from:
    - Head office – 15%
    - Related companies – 10%
    - Unrelated companies – 5%
- Design work conducted by foreign entities by:
  - Head office – 25%
  - Related companies – 20%
  - Unrelated companies – 15%
- Consulting work conducted by:
  - Head office – 30%
  - Related companies – 25%
  - Unrelated companies – 20%

### Country-by-country reporting

- n/a

### Economic substance

- n/a

# Kuwait

## Value-added tax

### Effective date

- Not yet implemented.

## Snapshot



**GDP:** USD106b

**Area:** 17,818km<sup>2</sup>

**Population:** 4,329,000

**Natural resources:** Petroleum, natural gas, fisheries, minerals

**Time zone:** UTC+3

**Proven petroleum reserves:** 7% of global reserves

**Key industries:** Crude oil production, petroleum refining, basic petrochemicals, food processing, construction materials, shipbuilding, steel, cement

**Currency:** Kuwaiti dinar (KWD) | KWD1 = USD3.26

# Bahrain

## Direct taxes

### Tax authority

- National Bureau for Revenue (NBR)

### Corporate tax (CT)

- 46% of taxable income: levied on taxable income of oil, gas and petroleum companies engaged in exploration, extraction, production and refining activities in Bahrain

### Tax filing & payments

- Oil, gas and petroleum companies must file an estimated income tax return on or before the 15th day of the third month of the tax year
- Paid in 12 equal instalments
- First instalment payable on the 15th day of the fourth month of the tax year

### Withholding tax (WHT)

- n/a

### Capital gains tax

- n/a

### Tax on dividends

- n/a

### Social security contributions

- Social insurance contributions for Bahraini workers 15% (as of 1 January 2023), increasing by one percentage point every year until 2028
- Bahraini employees' contribution 7% (as of 1 January 2023)
- Social insurance contribution for expatriate workers 3%
- All employees contribute 1% as unemployment insurance

### Transfer pricing

- n/a

### Country-by-country reporting

- Annual CbC reporting and/or notification requirements for MNEs with consolidated revenues >BHD342m

### Economic substance

- ES rules took effect 1 January 2019
- Resident traders doing a 'relevant activity' must demonstrate that they have ES in Bahrain and submit an ES on the NBR's portal within three months of the end of the financial year
- Relevant activities include:
  - Distribution and service centers
  - Headquarters
  - Holding companies
  - Leasing
  - Shipping
  - Intellectual property
  - Banking
  - Financing companies
  - Insurance
  - Investment businesses
  - Fund administration

# Bahrain

## Value-added tax

### Effective date

- 1 January 2019

### VAT rates

- 10% standard-rate (5% until 31 December 2021)
- 0%

### VAT period

- Annual taxable supplies >BHD3m: monthly
- Annual taxable supplies BHD100,000-BHD3m: quarterly
- Annual taxable supplies <BHD100,000: annually

### VAT filing/payment

- Submit VAT return and pay VAT liability by the last day of the month after the end of each VAT period

### VAT registration threshold - residents

- Mandatory registration: Annual taxable supplies >BHD37,500 in the last – or forecast over the next – 12 months
- Voluntary registration: Annual supplies or expenses >BHD18,750 in the last – or forecast over the next – 12 months

### VAT registration threshold – non-residents

- Non-resident supplier required to register for VAT as soon as they start making taxable supplies in Bahrain if no one else is liable to account for the VAT due on those supplies

### Zero-rated supplies

- Exports of goods/services
- Re-exports of imported goods
- Domestic and international transportation of passengers and goods (and related goods or services)
- Basic food items (where listed)
- Qualifying healthcare services, medicines, medical equipment and medical devices
- Educational services

- Construction of new buildings
- Oil, oil derivatives and gas
- Gold, silver and platinum
- Pearls and precious stones

### Exempt supplies

- Financial services (except where consideration is an explicit fee or a commission)
- Life insurance (and its reinsurance)
- Sale or lease of real estate in Bahrain
- Diplomatic and military exemptions
- Supplies related to persons with special needs
- Other specific exemptions at import

## Snapshot



**GDP:** USD38.87b

**Area:** 760km<sup>2</sup>

**Population:** 1,748,000

**Natural resources:** Petroleum, natural gas, fisheries, aluminum, livestock

**Time zone:** UTC+3

**Proven petroleum reserves:** 0.01% of global reserves

**Key industries:** Crude oil production, aluminum, plastic, food processing, real estate, manufacturing, tourism

**Currency:** Bahraini dinar (BHD) | BHD1 = USD2.65



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