



Published on December 9, 2024

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There has been a flurry of updates and activity within the Middle East around tax reforms, specifically focusing on large multinationals operating within the GCC countries. This has been an expected development as all six countries in the GCC are OECD inclusive framework members.

The long-anticipated implementation plan of the Pillar 2 rules and more specifically the introduction of the Global Minimum Tax of 15% is now coming into action.

There has been many publications and news stories circulating in recent days but the team here at A&M have been working on digesting these materials to provide our clients with our analysis to ensure multinationals impacted within the region are up to date with the latest developments. You can find below a list of the relevant updates for the Middle East with regards to the Global Minimum Tax initiative:

- **United Arab Emirates:**

- On the 9th of December 2024, the Ministry of Finance has confirmed that the UAE will introduce a Domestic Minimum Top-up Tax (DMTT) of 15%, applicable to large groups, with consolidated revenues exceeding EUR 750m and with operations in more than one jurisdiction from the 1st of January 2025.
- The UAE Ministry of Finance has notified taxpayers that the Federal Decree Law No. (47) will be amended to include provisions for the implementation of a DMTT for multinationals operating within the UAE.
- While we are still waiting for a formal draft legislation at the time of writing, it is not yet confirmed if the UAE will focus solely on the introduction of a DMTT or if there are further plans to include other Pillar 2 collection mechanisms (such as the Income Inclusion Rule) as would be our expectation.



- As part of this release, the Ministry confirmed that the new legislation will be accompanied by new laws on tax incentives and reliefs within the UAE. This is welcomed news as we see a global shift from jurisdictional competition based on headline rates of corporate tax and several jurisdictions are now seeking to compete for inbound investment with industry and expenditure-based incentives. The UAE's position is aligned with other GCC nations such as Bahrain (which already has a draft DMTT legislation in place aligned with the OECD framework) and Qatar & Kuwait who, in the past week, have both now made progressive steps on their implementation of these rules. A&M expects official draft guidance from the UAE Ministry of Finance to be circulated imminently.
- **Qatar:**
 - The General Tax Authority released a statement on the 4th of December 2024 stating the government's intention to amend the Qatari Income Tax Law No.(24) of 2018, to introduce Pillar 2 provisions (aligned to the OECD inclusive framework) to ensure multinationals subject to these provisions would be able to comply with the relevant compliance obligations in Qatar (i.e. the availability to submit a Global Information Return / Domestic Minimum Tax return to the GTA).
 - We note that the statement indicated that these changes are still subject to further Ministers approvals with additional information and guidance due to be released in the coming weeks and months. However, this is a clear show of support by the General Tax Authority for the wider OECD Pillar 2 agenda.
- **Kuwait:**
 - Several news publications released on the 9th of December 2024 have commented on the potential overhaul of Kuwait's tax regime, with the planned implementation of a 15% tax rate for large multinationals with operations in Kuwait.
 - The expectation is that this new legislation will take effect from the 1st of January 2025, with further tax reform, including business profits tax, to follow within Kuwait throughout FY25 and FY26. This release is another indication of tax authorities seeking to protect the taxes due on revenues born by large multinationals in their jurisdictions from being collected by other authorities around the globe.



MIDDLE EAST TAX ALERT | UAE | PILLAR 2 RELEASE

- **Bahrain:**

- Bahrain has been the first country in the GCC to provide a draft legislation on its implementation of a Domestic Minimum Top-Up Tax for large multinationals and has now opened its registration for those taxpayers in scope of the new regulations. A timely registration will be key to ensure mitigation of any possible late registration penalties.

These new developments confirm that the implementation of Pillar 2 and the Global Minimum Tax initiative, is in full motion in the Middle East. The number of recent releases provides businesses in the region with a strong mandate to pursue the necessary work to get ready from a both regulatory and system point of view for these incoming compliance obligations.

Early planning is now imperative as more countries seek to impose extensive penalties for non/incorrect compliance.

How can A&M Help?

A&M has developed a detailed phased approach to support MNEs navigate the entire Pillar 2 readiness journey, from regulatory and system impact assessment through to implementation and on-going compliance support.

Source URL: <https://amglobal.pulsecreative-clients.com/middle-east-tax-alert-uae-pillar-2-release/>