GCC Corporate Tax Landscape: A Comparative Analysis

Comparing corporate tax regimes across Bahrain, UAE, Saudi Arabia, and the GCC. Key insights for businesses operating in multiple jurisdictions.

The GCC's corporate tax landscape has undergone transformative changes in recent years. With the UAE introducing corporate tax in June 2023 and Saudi Arabia expanding its tax base, businesses operating regionally must understand the evolving obligations across each jurisdiction.

COMPARATIVE OVERVIEW

COUNTRY	CORPORATE TAX	VAT RATE	KEY FEATURE
🇧🇭 **Bahrain**	No general CIT (46% for O&G)	10%	Most favorable for non-O&G businesses
🇦🇪 **UAE**	9% (above AED 375K)	5%	Free zone exemptions available
🇸🇦 **Saudi Arabia**	20% (foreign-owned)	15%	Zakat for Saudi-owned entities
🇴🇲 **Oman**	15%	5%	Broad-based corporate tax
🇶🇦 **Qatar**	10%	None yet	Exemptions for Qatari-owned entities
🇰🇼 **Kuwait**	15% (foreign-owned)	None yet	Targeting foreign entity profits

BAHRAIN'S COMPETITIVE ADVANTAGE

Bahrain remains the most tax-friendly jurisdiction in the GCC for most businesses. The absence of corporate income tax for non-oil-and-gas businesses, combined with a competitive 10% VAT rate and a growing network of 40+ DTAs, makes it attractive for regional headquarters and holding structures.

Key advantages include:

- Zero corporate tax for the vast majority of business activities
- No withholding tax on dividends, interest, or royalties
- No capital gains tax for most transactions
- 100% foreign ownership permitted in most sectors
- DTA network providing treaty relief with 40+ countries

UAE CORPORATE TAX IMPACT

The UAE's 9% corporate tax (effective June 2023) has changed regional dynamics. Businesses previously choosing the UAE solely for its zero-tax status are now re-evaluating. Key considerations:

- Small businesses with profits under AED 375,000 remain at 0%
- Free zone entities can retain 0% on qualifying income
- Transfer pricing rules now apply to UAE intercompany transactions
- Country-by-Country Reporting requirements for large multinationals

OECD PILLAR TWO — GLOBAL MINIMUM TAX

The OECD's Pillar Two framework (15% global minimum tax) will impact large multinational groups with consolidated revenues above EUR 750 million. GCC countries are assessing implementation:

- Bahrain is monitoring but has not yet adopted Pillar Two legislation

- UAE has signaled intent to implement a Domestic Minimum Top-Up Tax
- Saudi Arabia is developing its framework for large multinationals

Businesses should proactively model the impact of Pillar Two on their effective tax rates across GCC operations.

STRATEGIC IMPLICATIONS

For businesses operating across the GCC:

- Structure review: Evaluate whether current holding, IP, and operating structures remain optimal
- Transfer pricing: Ensure arm's length pricing across all intercompany flows
- Substance requirements: Maintain genuine economic substance in each jurisdiction
- Bahrain as a hub: Consider Bahrain for regional HQ, treasury, and shared services

About the Author

The Yasmi Co Tax Team brings over 20 years of tax advisory experience.

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Tax, VAT, Transfer Pricing, ESR & Corporate Advisory Services

Tel: +973 3356 9008 | Email: info@yasmico.com | Web: www.yasmico.com