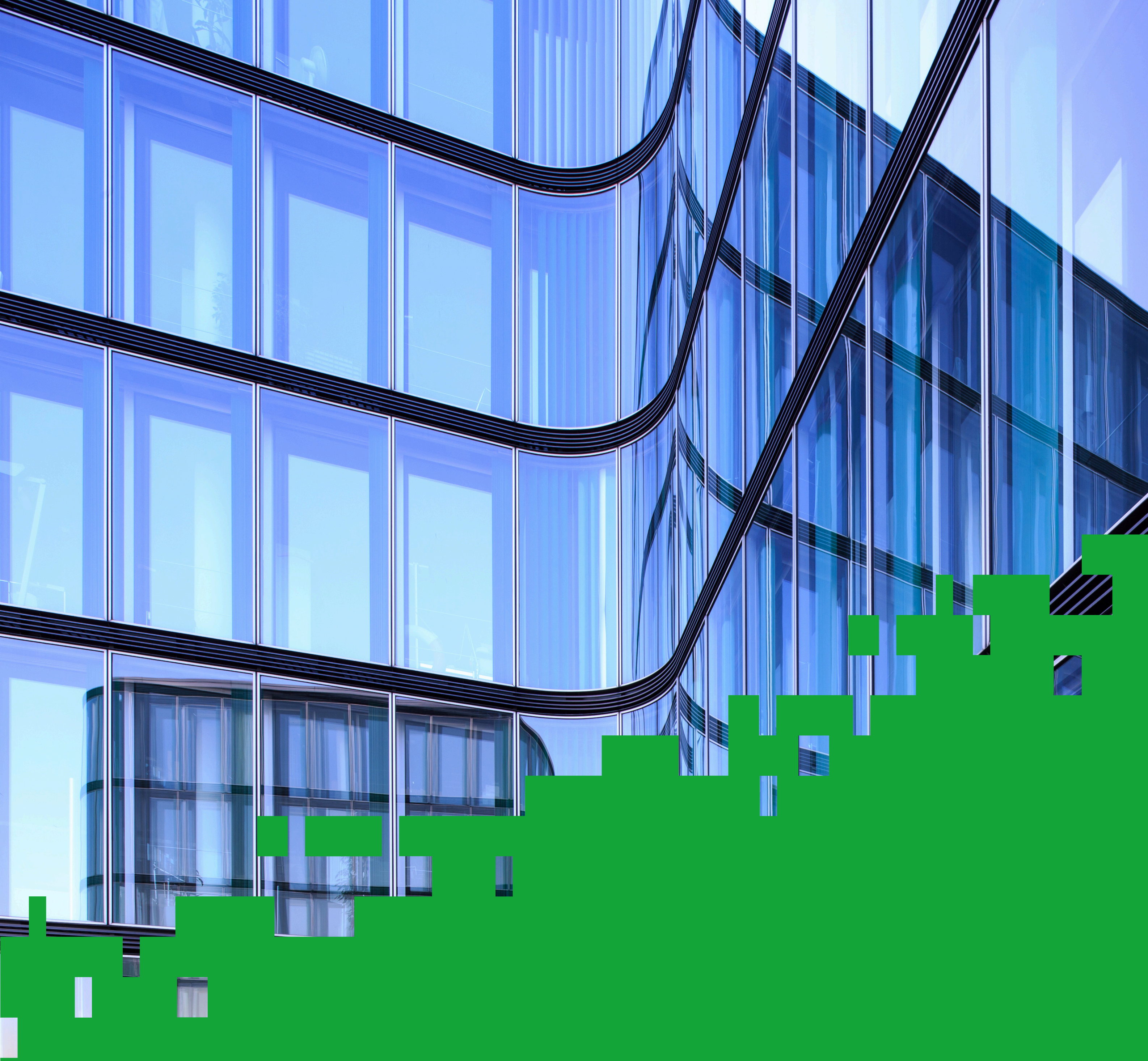
THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

Newsletter

Middle East & North Africa (MENA) Regional Tax Newsletter Second Quarter, 2025



Introduction to taxes in the MENA region:

Taxes are a cornerstone of economic development, shaping policies, guiding business decisions, and essential services. Taxes touch every aspect of our daily lives — from the roads we drive on to the healthcare, education, and public services we rely on.

In the MENA region, the introduction and evolution of tax systems in Gulf Co-operation Council (GCC) countries, along with updates of tax laws in other states, are playing an increasingly important role in diversifying economies, attracting investment, and supporting sustainable growth.

Given the pace of regulatory and policy changes, our quarterly tax newsletter is designed to keep our clients informed, providing timely updates, insights, and practical guidance to help navigate the evolving tax landscape with confidence.

1. IRAQ

Overview of Iraq's Tax Framework

Key updates from Iraq's tax environment, highlighting recent legislative changes, administrative practices, and ongoing challenges are below:

Corporate and Personal Taxation

- The corporate income tax rate remains at **15%** for most entities. However, foreign oil and gas companies operating under **Technical Service Contracts (TSCs)** continue to be taxed at a fixed rate of **35%.**
- Personal income tax is imposed progressively, ranging from **3% to 15%,** and applies to income sourced in Iraq regardless of residency status.

Administrative Measures and Enforcement

In February 2025, the General Commission for Taxes (GCT) issued formal instructions granting penalty and interest waivers to international oil companies on legacy assessments up to 2023. These arrangements also allow for structured installment payments, subject to approval.

Under Social Security Law No. 18 of 2023, new contribution rates were enacted:

For Iraqi employees: **12%** (employer) and **5%** (employee)

For foreign employees: **20%** (employer) and **5%** (employee)

Digitalization and Operational Challenges

- While the GCT has launched electronic platforms (e.g., the UR e-services platform) to support taxpayer services and reduce data duplication, a substantial portion of tax procedures remains paper-based. Manual filing, physical correspondence, and hard-copy documentation are still dominant in most cases.
- There is a strategic intent to transition toward full digitalization. However, actual implementation has been uneven and slow, creating ongoing inefficiencies in compliance and audit readiness.

Outlook and Reform Priorities

Iraq continues to face fiscal pressure due to its reliance on oil revenues. The International Monetary Fund (IMF) and other stakeholders have called for structural tax reforms, including:

- Expanding the non-oil tax base
- Reviewing exemptions and tax holidays
- Strengthening Withholding taxes (WHT) and consumption tax frameworks
- Enhancing audit and enforcement capacity through automation and policy clarity

2. KUWAIT

Overview of Kuwait's Tax Framework

Kuwait imposes corporate taxes on foreign corporate bodies which carry on business in Kuwait and the offshore area of the Partitioned Neutral Zone (PNZ) between Kuwait and the Kingdom of Saudi Arabia.

In addition, Kuwait also imposes Zakat and National Labor Support Tax (NLST) on other corporate bodies. There are no Personal Income Taxes, Value Added Taxes (VAT) or Withholding Taxes (WHT). However, Kuwait operates a 5% "Retention System". Customs duties are levied on imports, and the most frequently used rate is 5% of the CIF (Cost, Insurance & Freight) value of the import.

Kuwait joined the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) almost at the end of 2023 and recent developments relating to the Pillar Two Law and the Ratification of the Tax Treaty with the Kingdom of Saudi Arabia are described below.

Pillar Two Law – Law No. 157 of 2024:

On **December 30, 2024** Kuwait enacted the Tax Law on Multinational Enterprises Groups (Law No. 157 of 2024). This Law applies to MNE Groups which are in-scope for Pillar Two and is effective for tax periods beginning **January 1, 2025 or thereafter.** It imposes a Domestic Minimum Top-Up Tax (DMTT) of **15%** on these MNE Groups.

The law provides an extended period of nine months to in-scope groups (for the first year) to register with the Kuwait Tax Authorities (KTA). Thus, these groups are required to register with the KTA no later than **September 30, 2025** and failure to register shall result in a **penalty of KD 3,000 (approximately USD 10,000).**

The tax return needs to be submitted within fifteen (15) months from the end of the tax period. Thus, for example, the tax return for the year ending December 31, 2025 needs to be submitted before March 31, 2027.

The detailed Executive Regulations of Law No. 157 of 2025 were issued on **June 29, 2025 through Ministerial Resolution No. 55 of 2025.**

Ratification of Tax Treaty with the Kingdom of Saudi Arabia

Kuwait and Saudi Arabia had signed a Double Tax Treaty (DTT) on **December 4, 2024.** The Saudi Arabian Council of Ministers ratified the DTT on **April 22, 2025** and Kuwait's Council of Ministers formally approved the DTT by issuing Decree Law No. 80 of 2025 on **June 29, 2025.**

The DTT was published in Kuwait's Official Gazette on **July 6, 2025,** which is a key step towards its entry into force. The DTT will enter into force once ratification documents are exchanged. This date will be announced by the relevant authorities in due course.

3. KINGDOM OF SAUDI ARABIA (KSA)

Overview of the KSA Tax Framework

Saudi Arabia's tax framework, administered by the Zakat, Tax and Customs Authority (ZATCA), covers income tax at **20%** on taxable profits (with different rates for oil and gas entities) and a **2.5%** Zakat levy for Saudi and GCC-owned entities.

WHT ranging from **5% to 20%** applies to certain payments to non-residents, while Value Added Tax (VAT), (introduced at 5% in 2018 and increased to 15% in 2020), applies to most goods and services, with some zero-rated or exempt.

The Kingdom also has ove**r 50 double tax treaties (DTTs),** with more under negotiation, to promote cross-border investment and reduce tax barriers.

Recent updates are outlined below:

Tax and VAT Amnesty for self-re-assessment

ZATCA has recently extended the amnesty allowing taxpayers to benefit from the waiver of penalties arising from corrections or rectifications of previously incorrect returns filed before June 30, 2025 (previously, this covered returns filed up to December 31, 2024). The deadline to avail of this benefit has been extended by six months, now ending on December 31, 2025.

Option to elect for New Zakat Regulations (NZR)

ZATCA has provided voluntary option to Zakat payers for opt NZR for years prior to FY 2024 which were submitted based on old regulations. The NZR are applicable from January 1, 2024 (FY 2024), this option is valid before August 31, 2025.

Amendment in Zakat regulations for Off-Plan Real Estate Sector:

ZATCA has introduced new calculation rules in Zakat for licensed off-plan projects for the real estate sector whereby they can avail deduction for the year-end project balance subject to certain conditions.

Introduction of VAT group rules

ZATCA has amended VAT regulations with respect to e-commerce platform service/goods providers, and also enhanced the scheme of Zero-Rated implication on goods/services for entities operating in special Zones inside KSA based on fulfilment of condition.

New/ Amended Double Tax Treaties (DTTs) in 2025

Saudi Arabia signed new treaties and ratified others to broaden its international tax reach with Serbia, Croatia, Kuwait, Qatar and Mauritania. These treaties reflect Saudi Arabia's commitment to providing tax certainty and reducing compliance risks for international investors

4. LEBANON

Overview of Lebanon's Tax Framework

Recent developments in Lebanon's tax system reflect a shift towards modernization, revenue enhancement, and compliance enforcement. The Ministry of Finance has rolled out new digital platforms, updated income tax brackets and exemptions, and introduced penalty relief measures. Simultaneously, several tax-related laws are under review, with broader structural reforms being shaped by IMF negotiations. Recent updates are outlined below:

Digitalization of Tax Processes

Online Forms
Key tax forms (F1, F3, A49) are now available for electronic filing and payment via a Governmental portal.

Impact
Enhances compliance, accelerates processing, reduces reliance on paper-based filings.

Upcoming
Form F2 will also be digitized soon.

Revised Personal Income Tax Brackets (2024 Filing / 2025 Application)

Bracket (Lebanese Pound-LL) Rate	≤ 475,875,000	475.9M – 1.375B	1.375B – 3.176B	3.176B – 6.176B	6.176B – 13.436B	> 13.436B
Rate	4%	7%	12%	16%	20%	25%

Family Deductions:

Individual	Spouse	Per child
LL 398.4M	LL 198.4M	LL 39.7M

Extended Deadlines: Various declarations

Ministry Of Finance (MOF) Decision #583/1 (June 2025):
Allows reduced penalties on late tax payments until 30 September 2025

Extended Deadlines: Various declarations
(UBO, VAT, R10, income tax) extended through August 2025

Stamp Duty Adjustments

Foreign Currency Receipts

USD receipts: $2 stamp & Euro receipts: €2 stamp

Exchange Rate for Contracts

Duties calculated using the Sayrafa rate, as set by the Central Bank of Lebanon (Banque Du liban).

New Laws Under Discussion

Conflict-Related Tax Relief
A draft law aims to exempt or delay taxes for individuals and businesses affected by border-zone instability.

Revision of Budgetary Fees

The Cabinet has tasked the MOF with revising "fees and duties" in the 2025 budget.

Likely outcome: A new law amending multiple revenue articles.

IMF-Aligned Fiscal Reform

Parliament is considering tax administrative reforms (e.g. audits, e-filing, enforcement).

Linked to Lebanon's economic rescue plan and eligibility for IMF funding.

Strategic Impact

Government Revenue

Income tax share expected to rise to 9.7% in 2025 (from 6.9% in 2024).

Compliance Push

Focus on expanding the tax base and reducing evasion.

Modernization

Full digitalization of tax processes is underway.

Investor Confidence

Stability and transparency in tax law critical to IMF discussions and rebuilding trust.

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

RSM

RSM MENA
www.rsm.global/mena