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ELYSIAN CONSULTING GROUP

YOUR COMPLIANCE PARTNER IN THE UAE

WEEKLY NEWSLETTER

UAE FINANCE UPDATE

Your guide to key finance and compliance updates in the UAE.

INSIGHTS

1. From Onboarding to Auditing: The CT Enforcement Wave Is Here
2. Two New FTA Guides in June 2026: VAT Refund for UAE Nationals + Family Foundations
3. Fujairah Pipeline: Doubling Hormuz-Bypass Capacity by 2027
4. Your Compliance Calendar
5. Free Corporate Tax Filing Readiness

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FROM ONBOARDING TO AUDITING: THE CT ENFORCEMENT WAVE IS HERE

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How We Know the Posture Has Shifted

- **2024: ~93,000 FTA market inspection visits during the "onboarding" year of corporate tax.**
- **2025: ~176,000 (+89% YoY) FTA inspections jumped, with 29.5M tobacco packs and 7.6M excise packs seized. The Authority is operating at a different scale.**

What Triggers a Risk-Based Audit

The FTA's risk-based model targets returns and registrants that score against quantitative flags. Common triggers we're seeing:

- **Quiet-after-the-first-return:** Filed once, then no monthly or quarterly VAT alignment, no payments, no follow-up correspondence.
- **Tax-vs-accounting mismatches:** Tax filings that don't reconcile to the audited financials, or to VAT data on the same TRN.
- **QFZP without substance documentation:** Free-Zone entities claiming 0% but with thin economic substance, weak qualifying-income evidence or unsupported de minimis tests.
- **Related-party intensity:** High Connected-Person payments (directors, officers, owners) without Market Value benchmarking under Article 36 + CTP010.
- **Sector hotspots:** Trading, real estate, professional services, restaurants – sectors with high cash and high inter-related-party flows are pulling the most attention.

Two years into UAE Corporate Tax, the FTA has changed posture. **2026 is the year of audits**. Inspection activity is up sharply, the framework is risk-based, and the first wave is heading toward businesses that filed their first CT return and then went quiet. With the 30 September 2026 return deadline only ~**16 weeks** away, the time to put your audit-defence kit together is now – not after the return is filed.

CONTINUE

The Cost If You're Not Ready

1. **Late filing:** AED 500/month for the first 12 months, AED 1,000/month thereafter.
2. **Late payment:** 14% per annum under the new Cabinet Decision 129 of 2025 penalty regime (effective 14 April 2026).
3. **Audit-driven adjustments:** Once a position is challenged, voluntary-disclosure pricing rises with each month (1% per month under the new VD regime).

Your 90-Day Audit-Readiness Plan

1. Reconcile every line: Tax computation back to the audited financials, line by line. Document every reconciling item.

2. Build the QFZP substance file: Five-condition test evidence – qualifying income trace, adequate substance file, de minimis working, mainland-non-election confirmation, arm's-length pricing for related-party flows.

3. Stress-test director and officer payments: Market-Value support for every payment under Article 36 + CTP010. Refer to our Issue 02 decode.

4. Build the TP file (if in scope): Master File / Local File for revenue ≥ AED 200M or MNE group ≥ AED 3.15B. The FTA expects this within 30 days of request.

5. Set the working-paper archive: All supporting documents indexed and stored under the 7-year retention rule. Audit success starts at the file structure.

Filing the return is the announcement, not the end. The next 90 days set up the audit-defence posture for years to come. Reconcile, document, archive – and assume any unverified position will be tested.

TWO NEW FTA GUIDES IN JUNE 2026: VAT REFUND FOR UAE NATIONALS + FAMILY FOUNDATIONS

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The FTA published two practical guides in June 2026 worth decoding for clients: **VATGRH1** on the VAT refund scheme for UAE Nationals building new residences (with a notable expansion of eligible items under **FTA Decision No. 5 of 2026,** issued 2 June 2026), and **CTGFF1** – the long-awaited Corporate Tax Guide on Family Foundations.

UPDATE 2A · VAT GUIDE VATGRH1

VAT Refund for UAE Nationals Building New Residences

UAE Nationals constructing their own home can recover the VAT they incur on building materials and contractor services. The June 2026 guide refreshes the scheme, ties it to the new Maskan smart application, and – via FTA Decision No. 5 of 2026 – expands the list of eligible items.

How It Works – At a Glance

- **Who qualifies:** UAE Nationals (natural persons) holding Family Data, building a new residence on their own land for use as the family home.
- **How to apply:** Via EmaraTax or the new Maskan app (Google Play / Apple Store). Both synchronise. Maskan can scan tax invoices via QR and estimate the refund.
- **Deadline:** Submit within 12 months of the residence completion date (earlier of occupation or building completion certificate).
- **What's claimable:** Building materials incorporated into the structure, contractor services (builders, architects, engineers), and transport / clearing costs for imported building materials.
- **What's not:** Loose furniture, free-standing appliances, buildings held for commercial use (hotel apartments, serviced apartments, leased homes).

Newly Eligible Items (FTA Decision 5/2026

- **Smart and electronic doors and gates** for the residence.
- **Landscaping (including trees)** – installed during the construction phase, not retroactively after completion.
- **Smart and security systems and accessories** fixed and integrated within the residence as part of a complete system.
- **Swimming pools, fountains and decorative water features** forming part of the residence.

What This Means for Your Family Clients

- **If a client is mid-build:** Re-scope eligible costs to capture the newly added items. Don't lose VAT on the landscaping and smart-systems quote.
- **If a client completed in late 2025 or early 2026:** The 12-month clock may still be open. Check the completion date and re-run the eligibility list under the expanded scope.
- **Recommend the Maskan app:** It dramatically simplifies invoice capture during construction – clients can scan supplier invoices directly into their refund account.

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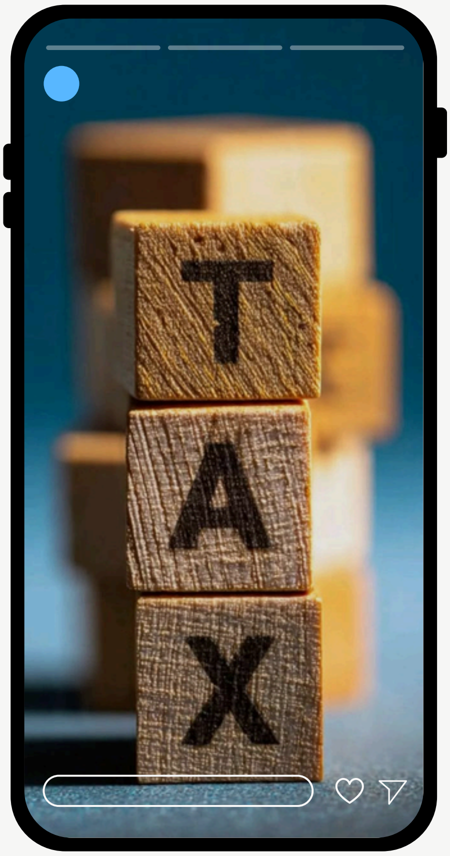
Why Family Foundation Status Matters

DEFAULT
Taxed as a juridical person
9% CT on taxable income above AED 375,000; full registration, return-filing and Connected-Person disclosure obligations.

APPROVED FAMILY FOUNDATION
Treated as an Unincorporated Partnership (fiscally transparent)
Income attributed to beneficiaries. Natural-person beneficiaries usually fall outside CT on personal investment / real estate income.



UPDATE 2B· CT GUIDE CTGFF 1

VAT Refund for UAE Nationals Building New Residences

The new Family Foundations guide is the FTA's most comprehensive treatment yet of how foundations, trusts and similar entities are taxed under Federal Decree-Law 47 of 2022. It's especially important for UAE-resident families using DIFC, ADGM or RAK ICC foundations for wealth management and succession planning.

Two-Step Test

- **Step 1 – Vehicle type:** Is the entity a foundation, trust or similar? Looked at under the relevant non-tax law (DIFC, ADGM, RAK ICC, Federal Trust Law, etc.). Foreign entities also qualify.
- **Step 2 – Article 17(1) conditions:** Met the beneficiary test, principal-activity test, no-Business-Activity test, no-tax-avoidance test, and (where public-benefit entities are beneficiaries) the distribution test.

Multi-Tier Structures

The guide confirms that entities wholly owned and controlled by a Family Foundation can also apply to be treated as Unincorporated Partnerships. This is the practical mechanism by which holding-company structures (often used for asset segregation) can be brought under the same fiscal transparency.

Tax Compliance Steps

- **Register for Corporate Tax:** Required before submitting any application – even fiscally-transparent entities go through registration.
- **Apply for Unincorporated-Partnership treatment:** Article 17(1) application to the FTA, with supporting documentation showing each condition is met.
- **Annual Confirmation:** Required each year to confirm the conditions continue to be met. A breach in any year can pull the structure back into the juridical-person CT regime.
- **Document the beneficiary chain:** Especially in multi-tier structures – the FTA wants the line of attribution from holding entity → foundation → beneficiary clearly evidenced.

VATGRH1 widens the VAT-refund net for UAE Nationals mid-build – capture it. CTGFF1 finally gives Family Foundations and family offices a clear playbook – use it to validate that your fiscally-transparent treatment is documented, renewed annually, and protected by clean Article 17 evidence.

FUJAIRAH PIPELINE: DOUBLING HORMUZ-BYPASS CAPACITY BY 2027

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While the Strait of Hormuz closure has dominated headlines, the UAE has been quietly accelerating the infrastructure that bypasses it. ADNOC's expansion of the **West-East crude oil pipeline** running from Habshan inland to the port of **Fujairah** on the Gulf of Oman is now nearly 50% complete, with operational go-live targeted for **2027**. The result: double the UAE's Hormuz-bypass export capacity.

The Numbers

TODAY
1.5–1.8 mbpd
Current Habshan–Fujairah export capacity – the lifeline that lets UAE crude reach global markets without crossing the strait.

BY 2027
~3 mbpd (doubled)
Expansion underpins ADNOC's broader goal of 5 mbpd total production capacity by 2027 – and the UAE's post-OPEC export flexibility.

Why It Matters

- **Supply-chain resilience:** Treating the Strait as a permanent risk, not a temporary disruption. Permanent infrastructure now sits between UAE crude and global markets.
- **Post-OPEC strategic fit:** After the 1 May OPEC exit, the UAE needed independent export capacity to use the production headroom (~5 mbpd by 2027) it had built up. This pipeline is that lever.
- **Fiscal stability:** Higher reliable export volumes feed Federal-budget hydrocarbon revenue, which in turn keeps non-oil tax pressure measured. Steady macro for compliance-heavy clients.
- **Regional positioning:** Reinforces Fujairah as an independent energy hub. Storage, bunkering, refining and downstream services in the emirate get a multi-year demand tailwind.

Sectors That Win

- Logistics & storage services around Fujairah port and the East Coast.
- Construction and engineering contractors involved in the pipeline build-out and downstream infrastructure.
- Trading and bunkering operators with exposure to Gulf-of-Oman bound traffic.
- Banking & finance providers funding ADNOC's capex and the wider supply-chain build-out.

2026 is the disruption year. 2027 is the year UAE oil exports become structurally more resilient. For clients positioning capex, supply contracts or financing decisions, the operational target dates around the pipeline (Q1–Q2 2027) are now planning anchors. The dirham peg and compliance calendar continue to operate unchanged.

YOUR COMPLIANCE CALENDAR

Refreshed for the next **11** months.

DATE	WHAT'S DUE / WHAT KICKS IN
15 Jun 2026	Final deadline for filing Excise Tax return.
29 Jun 2026	Monthly VAT return for May 2026 due.
30 Jun 2026	Emiratisation H1 deadline: +1% growth for 50+ employee firms. Q2 2021 VAT credits expire.
1 Jul 2026	UAE e-Invoicing Pilot Programme begins. Emiratisation penalties (up to AED 108K/yr per gap) start.
28 Jul 2026	Quarterly VAT return for Apr–Jun 2026 due.
30 Sep 2026	Corporate Tax return due for entities with 31 Dec 2025 year-end. Q3 2021 VAT credits expire.
30 Oct 2026	ASP appointment deadline for businesses with revenue ≥ AED 50M (extended from 31 July).
31 Dec 2026	Cliff: pre-2021 VAT credits, Small Business Relief, +2% Emiratisation rate all due.
1 Jan 2027	Mandatory e-Invoicing go-live for businesses ≥ AED 50M. Per-invoice penalties begin.
31 Mar 2027	Deadline for businesses < AED 50M to appoint an ASP.

FREE CORPORATE TAX FILING READINESS

LET'S TALK

Book a free 30-minute Corporate Tax Filing Readiness

If you have a 31 December 2025 year-end, your CT return is due 30 September 2026 – about four months away. We'll review your trial balance, transfer-pricing exposure, QFZP positioning, related-party schedules and the readiness of your working-paper file. You leave with a written gap list and a clear filing plan – no obligation

To book, write to me directly:

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