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ELYSIAN CONSULTING GROUP

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WEEKLY NEWSLETTER

UAE FINANCE UPDATE

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

INSIGHTS

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INSIDE THE FTA'S PRIVATE CLARIFICATIONS: 46 ANSWERS THAT REDRAW THE CT PLAYBOOK

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Public vs Private Clarifications – Why This Compendium Matters

- **PUBLIC CLARIFICATIONS**
  Bind everyone
  Published to give every taxpayer certainty on a general legal position. Cite them directly in files, positions and disputes..
- **PRIVATE CLARIFICATIONS**
  Bind only the applicant
  Fact-specific, but reveal how the FTA reads the law. Use them to stress-test your own file – not to defend it in isolation.

What Sits Inside the Compendium

- **Exempt Persons – REITs & Qualifying Limited Partnerships:** Taxable Income of a REIT investor excludes unrealised gains; the 20% "floated shares" restriction on Related Parties applies only to the 20% floated tranche; non-resident QLP investors earning only UAE State-Sourced Income don't need to register.
- **Permanent Establishment:** Absence of a trade licence does not defeat a PE; aggregate presence >6 months in a 12-month period signals permanence; "preparatory or auxiliary" turns on whether the activity is essential to the enterprise as a whole.
- **Unincorporated Partnerships & Foreign LLPs:** Landowner-developer profit-share arrangements can be an Unincorporated Partnership; nominee-held foreign LLPs can still qualify if the home-country transparency conditions are met.

The FTA has quietly published one of the most useful CT documents of 2026 so far – a **compendium of its Private Clarifications on Corporate Tax** issued up to May 2026. Private Clarifications are **binding only on the applicant** – but this consolidated release, spanning **REITs, PEs, Family Foundations and the entire QFZP framework**, is now the closest thing we have to the FTA's operating logic on the CT Law. For advisors, this is a lens for interpretation, not a checklist – and several answers materially move the CT position for clients we already advise.

Five Findings That Move Real Positions

- **"No employees" is not a substance strategy:** For any FZ leasing/holding structure, the FTA has now clearly stated the passive-income exception does not exist. Substance files that lean on "no employees needed" arguments should be rebuilt before year-end.
- **Transfer-pricing adjustment in the return preserves QFZP:** Not recording arm's length in the books is no longer automatically fatal – a TP adjustment in the CT Return will hold the QFZP position. This is a significant client-facing message for Related-Party-heavy FZ groups.
- **Beneficial-Recipient test scoped:** Where the QFZP is doing a Qualifying Activity (e.g., trading Qualifying Commodities), it does not have to prove the customer is the Beneficial Recipient. That removes a huge documentation burden for commodities and distribution clients.
- **FZ branches are one QFZP – non-FZ branches are not:** Branch mapping matters. FZ + FZ = collective QFZP assessment. FZ + non-FZ = separate PE with non-Qualifying Income. This drives how groups should structure new expansion.
- **PE without a trade licence:** Non-resident groups relying on "no licence = no PE" positions are exposed. The >6-month aggregate presence test and the essential-activity test now sit clearly in the FTA's playbook.
- Activity combinations – remain live risk areas where you should be more, not less, conservative.

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- **Family Foundations:** Real-estate investment income can qualify – but only if it is not (and need not be) conducted through a licence. A juridical person can be wholly owned by more than one Family Foundation and still apply for Unincorporated Partnership treatment.
- **QFZP core:** Must be a juridical person – trusts and Unincorporated Partnerships cannot qualify. FZ branches of one Taxable Person are assessed collectively; a non-FZ branch is a separate PE. A TP adjustment in the return does not disqualify the QFZP even if the books don't record arm's length
- **Adequate Substance:** Passive asset-lease models still need employees – no exception for asset-based activity. Employees on other Related Parties' visas can count if the Free Zone Person bears the economic cost. Shared workspaces can work if commensurate with activity level.
- **Qualifying Income & Activities:** Beneficial-Recipient test only bites where the activity is not itself a Qualifying Activity; packaging/repackaging can be processing; commodity derivatives qualify only where linked to physical trade risk; option writers are not "holders"; time-charter, port agency and cargo handover each independently qualify under ships.

This compendium is the first time the FTA has consolidated its Private Clarification thinking on the Corporate Tax Law. Treat it as a map of how the FTA is actually applying the rules – the substance test is harder than it reads on paper, the QFZP framework is more forgiving on TP adjustments than most files assume, and the PE test doesn't care about trade licences. If your top-value client files were written before this compendium, they need a re-read.

31 JULY 2026 CT WAIVER DEADLINE

Two weeks left. For 31 December 2025 year-ends previously charged the AED 10,000 late CT registration penalty, filing the first CT Return by 31 July 2026 triggers automatic waiver – even if paid, it's credited to EmaraTax. Miss it and the waiver is lost even if you eventually file by 30 September. File by Monday 28 July to build in a buffer against portal load.

FOUR FTA INSTRUMENTS THIS FORTNIGHT: CTP011, QFZP DISTRIBUTION AUP, AND TWO VAT DIRECTIVES

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In a single fortnight the FTA has issued **four separate instruments** – a Corporate Tax Public Clarification, a Board Decision, and two VAT Directives. Two are heavy-lift for CT-heavy clients **(CTP011 on downward transfer-pricing adjustments and FTA Decision 6/2026 on QFZP Designated-Zone distribution).** Two reset VAT return mechanics (Tax Group exit adjustments and digital-currency conversion). Here's what each one actually changes.

Update 2A ·CTP011: Downward Transfer-Pricing Adjustments in the CT Return

The FTA has issued **Public Clarification CTP011** to answer a question that has quietly bothered every TP practitioner in the country: what happens when a Taxable Person's Related-Party transactions are not recorded at arm's length in the books, and the correction goes **downward** – i.e., reduces taxable income? CTP011 says yes, that adjustment can be made in the CT Return under Article 34(1) – with three important guardrails.

UPWARD ADJUSTMENT
Disclose only above threshold
Increases Taxable Income. Disclosure in the return is only required if the Related-Party transaction exceeds the applicable threshold.

DOWNWARD ADJUSTMENT
Disclose in all cases
Decreases Taxable Income. Must be disclosed in the CT Return irrespective of the value or nature of the transaction.

Three Points the Clarification Nails Down

- **Self-assessment – no prior FTA approval:** Taxable Persons self-assess the need for a TP adjustment. There is no pre-approval process; but any adjustment may be picked up in a Tax Audit.
- **Full disclosure for every downward move:** Every Related-Party transaction where a downward adjustment is made must be disclosed in the CT Return – no de-minimis, no threshold.
- **Documentation is the whole file:** Rationale for the adjustment, arm's-length benchmarking study, reconciliation between book values and arm's-length values in the return, and – critically – symmetrical corresponding adjustments by the Related Party.
- **Scope note:** CTP011 covers adjustments under Article 34(1) only. Corresponding adjustments under Article 34(10) and 34(11) – where a foreign counterparty has been reassessed – are not in scope and continue to be handled separately.

What Changes for CT-Heavy Clients

- **TP documentation is now the CT-return workpaper:** Any client with intragroup pricing that trends above arm's length in the books now has a clear route to correct via the return – but the CT-return file needs to hold the benchmarking study, rationale and reconciliation. Draft this as part of return prep, not after.
- **Symmetrical adjustment or the position wobbles:** The corresponding Related Party must book the mirror-image entry. For UAE-to-UAE intragroup flows this is straightforward; for cross-border flows, coordinate with foreign advisors early – an unsymmetrical adjustment is an audit flag.
- **"Threshold" is dead for downward moves:** Clients who only disclose above-threshold Related-Party transactions must now review every downward move – regardless of size – for the mandatory disclosure. Return-form fields will be watched for this.

Update 2B ·FTA Decision 6/2026: The New QFZP Designated-Zone Distribution AUP Report

Issued **2 June 2026** and effective for Tax Periods starting on or after **1 January 2026,** FTA Decision No. 6 of 2026 introduces a new compliance layer for any QFZP whose Qualifying Activity is the **distribution of goods or materials in or from a Designated Zone.** The Free Zone person must obtain an **Agreed-Upon Procedures (AUP) report** under ISRS 4400 from an independent external auditor – and file it with the FTA.

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What the AUP Report Has to Prove

- **Customer resells the goods:** Customers supplied by the QFZP resell, process or alter the goods for the purpose of sale or resale. Evidence via trade licences, customer declarations, sales agreements/invoices.
- **Goods enter through a Designated Zone:** Any goods imported by the QFZP into the State must come in via a Designated Zone. Evidence via customs declarations, bills of lading, shipping documents, internal warehousing records.

The Sample-Size Formula (This is the Detail Everyone Will Miss)

The Decision prescribes a specific sample-size formula for the AUP: **Sample Size = Population ÷ [1 + Population × (Margin of Error)²],** where Margin of Error = 10%. The sample must include the transactions with the highest values in the Tax Period – this is not a random sample.

Filing Deadline and Consequence

- **Filing window:** The AUP report is due to the FTA no later than 30 days after the CT-return filing deadline for the relevant Tax Period. For 31 Dec 2026 year-ends (first affected period), that's around October 2027.
- **Consequence of non-filing:** Miss it and the underlying Qualifying-Activity conditions are treated as not met – i.e., the QFZP position on the distribution activity falls away. This is a materially higher-stakes filing than most compliance reports.
- **Auditor scope:** The AUP must be performed by the QFZP's external financial auditor or another independent auditor licensed in the UAE. Plan the additional scope into next year's audit engagement early.

What Clients Should Do Now

- **Flag every affected QFZP:** Anyone claiming QFZP status on the distribution Qualifying Activity in/from a Designated Zone is caught. Start the client-list scan now.
- **Rebuild customer and import documentation trails:** Customer declarations, licence copies, import-declaration files and internal warehousing/logistics records need to be in a retrievable state – not scattered across systems.
- **Brief the auditor in Q3:** The AUP scope is defined by the FTA (not the auditor). Budget the extra hours into the FY26 audit engagement letter before year-end.

Also This Fortnight · Two VAT Directives That Change Return Mechanics

DIRECTIVE 2/2026 · VAT ON TAX-GROUP EXIT

Effective 1 August 2026

When a Registrant exits a VAT Tax Group, adjustments to output/input tax on supplies or expenses previously declared in the Group's returns are made in the exiting Registrant's own returns.
Covers reductions in supply value and reductions in expenses on which input VAT was recovered. Supporting documentation must be retained.

DIRECTIVE 3/2026 ·DIGITAL-CURRENCY CONVERSION

Method for AED conversion

Any Taxable Person supplying digital currency, or receiving digital currency as consideration, must convert the value to AED for VAT return disclosure using a prescribed three-platform average.
Pick 3 exchanges from the FTA's approved list, use the SAME 3 all calendar year, take the numerical average of exchange rates at the time of supply/receipt, retain records.

- **Client watch on Directive 2/2026:** Any VAT Tax Group member planning to exit before or after 1 August needs a clean carve-out of pre-exit supplies/expenses. Where downstream adjustments (credit notes, bad-debt reliefs, capital-goods scheme moves) touch pre-exit periods, the entries land in the exiting member's own returns – not the Group's.
- **Client watch on Directive 3/2026:** Applies to any business selling digital currency or accepting it as payment (marketplaces, crypto-native FZ companies, Web3 service providers). The "same three exchanges for the whole calendar year" rule is a documentation trap – pick, document and lock the three at Jan 1.

Four instruments in fourteen days is a signal in itself. CTP011 gives clients a route to fix Related-Party pricing at the return stage – but only with full disclosure and symmetrical mirroring. FTA Decision 6/2026 introduces a first-of-its-kind AUP filing for QFZP distributors that turns the audit engagement into a compliance instrument. The two VAT Directives quietly re-plumb return mechanics for Tax-Group exits and digital-currency supplies. All four need to land in your Q3 client-briefing plan.

FUEL PRICES DROP 14%: THE POST-CEASEFIRE CORRECTION HITS UAE PUMPS

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The Move at the Pump

JUNE 2026
- Super 98 – AED 3.95/L
- Special 95 – AED 3.83/L
- E-Plus 91 – AED 3.76/L
- Diesel – AED 4.33/L

JULY 2026
- Super 98 – AED 3.40/L (-AED 0.55)
- Special 95 – AED 3.29/L (-AED 0.54)
- E-Plus 91 – AED 3.21/L (-AED 0.55)
- Diesel – AED 3.60/L (-AED 0.73)

What's Behind the Move

- **US-Iran ceasefire:** Removed the war risk premium that had built up in Q2. Shipping routes through the Strait of Hormuz reopened, oil-market risk pricing normalised.
- **Brent slide:** June average $85/bbl → below $70/bbl on 1 July. UAE fuel prices tracked the physical benchmark down.
- **Cooler US CPI:** June US CPI printed soft – headline -0.4% MoM, core flat MoM. Fed rate-hike pricing eased, dollar softened at the margin, and gold clawed back some of its losses.
- **UAE stock signal:** ADX and DFM traded split during the print – sensitive to US rates on one side, regional energy risk on the other. A pattern likely to continue.

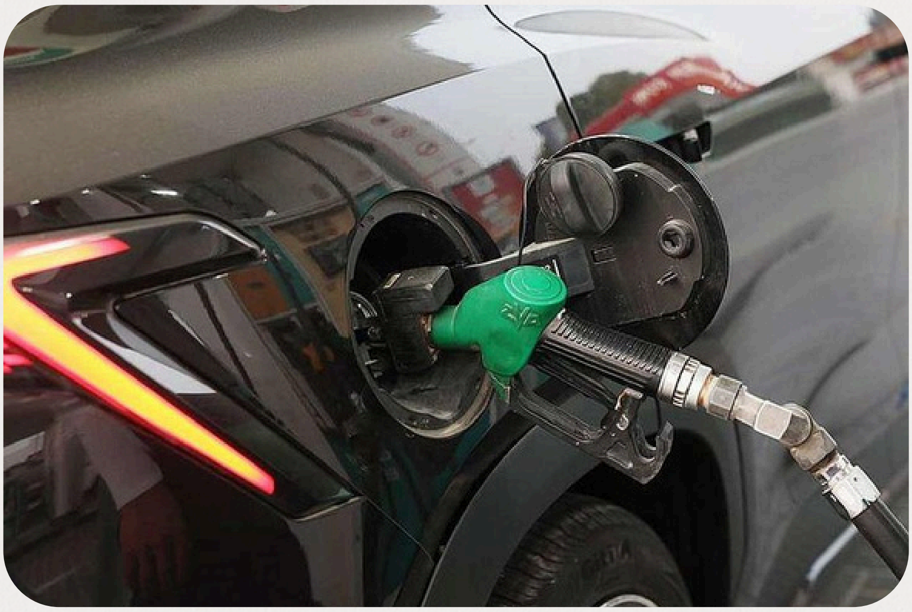
WHAT TO WATCH NEXT

Three signals: (1) whether the US-Iran ceasefire holds through August – any flare-up drags fuel higher again; (2) OPEC's August meeting – whether production quotas defend $70 Brent; (3) July US CPI print (14 August) – a hot number brings the Fed hike-pricing back and pressures gold and the AED-USD picture. For clients running fleet, logistics or FX-sensitive P&Ls, this is a week to refresh forecasts.

After four months of steady rises, UAE fuel prices **dropped roughly 14%** on **1 July 2026** as global oil prices collapsed following the US-Iran ceasefire. Brent slipped below **$70 per barrel** for the first time in the war window – a ~$22/barrel move off June's ~$85 average.

What It Means for Clients

- **Logistics, transport, delivery operators:** Diesel down 17% (AED 0.73/L) is a real cost tailwind. Refresh unit-economics models and, if fuel surcharges are contractual, revisit customer schedules.
- **Fleet and travel-heavy businesses:** Household staff transport, hospitality shuttles, employee reimbursement pools – the July drop is worth a policy refresh (also relevant because of the 5% VAT on Salik/Parkin from 1 June).
- **Treasury / FX teams:** The Fed pause narrative is back on. Dollar-strength assumptions may need tempering; hedge ratios on non-USD payables can be revisited. Dirham peg unchanged.
- Federal-budget backdrop: Sub-$70 Brent is below most Gulf breakeven levels. If sustained, it puts modest pressure on hydrocarbon-linked revenues – but the UAE's diversification (see Issue 07's non-oil GDP piece) buffers the impact.



YOUR COMPLIANCE CALENDAR

Refreshed for the next **11** months.

DATE	WHAT'S DUE / WHAT KICKS IN
28 Jul 2026	Quarterly VAT return for Apr–Jun 2026 due.
31 July 2026(FRI)	CT Waiver Deadline: file first CT return (31 Dec 2025 year-ends) to auto-waive AED 10,000 late-registration penalty.
30 Sep 2026	Corporate Tax return due (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.
1 Jul 2027	Mandatory e-Invoicing go-live for businesses < AED 50M.
1 Oct 2027	Government entities join e-Invoicing system.

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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