

WEEKLY NEWSLETTER

UAE FINANCE UPDATE

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



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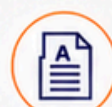
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ONE WEEK LEFT: THE 31 JULY CT WAIVER PLAYBOOK

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The Waiver Rule – Before 31 July vs After

* ON OR BEFORE 31 JULY 2026

Waiver granted

AED 10,000 late-registration penalty waived automatically. If already paid, credited to your EmaraTax account.

* FROM 1 AUGUST 2026

Waiver window closed

AED 10,000 stays on record. Late-filing penalties still start from 1 October – AED 500/month, then AED 1,000/month from month 13.

This is the **final full week** of the FTA's Corporate Tax late-registration **penalty-waiver window** for 31 December 2025 year-ends. File the first CT Return by **31 July 2026** and the AED 10,000 penalty is waived automatically – even if already paid, it is credited to EmaraTax. Miss it and the waiver is lost. Over 68,600 taxpayers have benefited to date.

The Seven-Day Sprint Plan

- **Sat 25 – Sun 26 July · Lock the numbers:** Audited financials, tax computation, Related-Party schedules, Small Business Relief election (if ≤ AED 3M), QFZP substance file.
- **Mon 27 – Tue 28 July · Second-eyes review:** Reconcile line-by-line to audited financials. Flag anything you would rather disclose than defend.
- **Wed 29 July · File on EmaraTax:** Submit at least two working days before deadline. Portal load spikes in the final 48 hours.
- **Thu 30 – Fri 31 July · Archive and confirm:** Confirm waiver reflected on EmaraTax. Archive workings under 7-year retention. Chase the credit if the AED 10,000 was already paid.



THE BOTTOM LINE

Seven days. This is the cleanest AED 10,000 any Taxable Person will ever save – but only if the return is filed by 31 July, not 30 September. Lock the numbers by Sunday, review Monday–Tuesday, file Wednesday. Every day past 29 July is avoidable portal-load risk.

TWO NEW VAT DIRECTIVES: LIFE INSURANCE FEES (NO. 4) & DEEMED SUPPLY VALUATION (NO. 5)

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The Three Tests for Exemption

- **Necessity:** The service must be necessary for making the life insurance/reinsurance supply.
- **Direct connection:** Directly connected with providing or transferring the contract.
- **Integrated consideration:** Fee forms an integral part of the premium – no separate invoice line.

What Clients Should Do

- **Life insurers & reinsurers:**
Map every fee line. If it's charged separately today, it likely becomes a taxable supply now. Repackage where policy design permits.
- **Brokers, TPAs, admin providers:** Services rendered to the insurer for a separate fee = independent supplies (5% VAT, input recovery available). Refresh invoicing template.

Two VAT Directives from the FTA in a single week. **Directive 4/2026** (14 July) draws the line on which fees connected to a life insurance/reinsurance contract stay VAT-exempt. **Directive 5/2026** (20 July) sets out the exact method for valuing Deemed Supplies of Services under Article 37.

Update 2A - Directive 4/2026: Life Insurance & Reinsurance Fees

When a life insurer charges administration or operational fees on top of a policy premium, do those fees ride the exemption of the underlying policy or attract 5% VAT? The answer turns on how the fee is charged.

EXEMPT (INSIDE POLICY)

Bundled in the premium

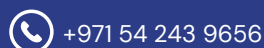
Management, operation, execution fees included within the premium and NOT separately charged – VAT-exempt as part of the underlying supply.

INDEPENDENT (5% VAT)

Separately charged

Services independent in nature, or where a separate amount is charged – treated as independent supplies for VAT purposes.





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.

Update 2B · Directive 5/2026: Deemed-Supply-of-Services Valuation

Article 37 of the VAT Law requires Deemed Supplies of Services to be valued at **total cost on which Input Tax was incurred**. Directive 5/2026 sets out how to calculate that – a four-step method anchored on open-market value and the taxpayer's cost profile.

The Four-Step Method

- **Step 1 – Open Market Value:** Determine open-market value of the services (or comparable services).
- **Step 2 – Strip Out Profit:** Estimated total cost = OMV ÷ (1 + Net Profit Margin). Use prior-year NPM; if unavailable, sector average.
- **Step 3 – Input-Tax Cost Ratio:** % of costs bearing Input Tax over total costs in the prior financial year.
- **Step 4 – Deemed Supply Value:** Apply the Step-3 % to the Step-2 estimated total cost. Output VAT is due on this value.

WORKED EXAMPLE · DIRECTIVE 5/2026

Free consulting service. OMV = AED 100,000. FY25 NPM = 20%. Input-Tax cost ratio = 80%.

Step 2 → 100,000 ÷ 1.20 = AED 83,333 Step 3 → 80% Step 4 → 83,333 × 80% = AED 66,667

Output VAT payable = AED 66,667 × 5% = AED 3,333.

Where This Bites

- **Free staff or client services:** Complimentary consulting, training, transport, IT, F&B – VAT working papers must now show the four-step workings.
- **Intragroup free services:** Services shared free across non-Tax-Group Related Parties are Deemed Supplies – Directive-5 workings, not a picked number.
- **Audit-defensibility:** Under risk-based audits, Deemed Supplies are a classic recovery lever. A documented Directive-5 workpaper closes the risk fast.

Two VAT Directives in a week is not an accident – it is the FTA closing definition gaps ahead of the e-invoicing 5-Corner era. Directive 4/2026 tells insurance clients how to structure fee lines. Directive 5/2026 gives every Taxable Person a defensible number for Deemed Supplies. Both belong in FY26 VAT policy documents this quarter.

DUBAI AED 87.9B, ABU DHABI +19% APARTMENTS: THE UAE PROPERTY MARKET Q2 RESET

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Dubai vs Abu Dhabi – The Q2 Split

* DUBAI- Q2 2026

AED 87.9B sales- volumes –28.6% YoY

- Off-plan –23.1% YoY (still dominant)
- Resale –41.8% YoY (biggest drop)
- Prices +2 to +6% YoY (villas strongest)

* ABU DHABI- Q2 2026

Sales up YoY- double-digit price growth

- Total transactions rose YoY (off-plan led)
- Secondary –18.1% YoY
- Apartments +19.4%- Townhouses +11.2% YoY

Two Rental-Policy Interventions

* Abu Dhabi rent freezing (June 2026):

Temporary pause on rental increases for new and renewed leases on previously rented units. Tenant relief; landlord yield compression short-term.

* Dubai Flexi Rent (DLD):

Tenants may pay monthly, quarterly or semi-annually – cash-flow relief for tenants, working-capital adjustment for landlords on annual-cheque models.

What It Means for Clients

* Investors & family offices:

Abu Dhabi apartments deserve a fresh valuation – the +19.4% YoY move changes yield calculations against pre-2026 acquisition prices

* Landlords:

Flexi Rent alters treasury forecasts and VAT tax-point timing on non-residential leases. Rework AR ageing assumptions.

* Secondary-market brokers:

Dubai resale –41.8% YoY is where the pain sits. Fee models tied to secondary need a Q3 refresh; consider off-plan brokerage exposure.

JLL's Q2 2026 Middle East report – surfaced by **Khaleej Times on 23 July** – shows **Dubai at AED 87.9 billion in Q2 sales** even as transaction volumes fell on regional geopolitical tensions, while **Abu Dhabi delivered double-digit annual price growth** – apartments +19.4%, townhouses +11.2% YoY. The market is splitting on emirate and asset class.

What's Actually Happening

- **Volume pause, not price rout:** Dubai's transaction slowdown is a demand-side pause tied to Q2 geopolitical risk. Prices held or rose despite the volume drop – price-inelastic demand at current levels.
- **Abu Dhabi is closing the price gap:** Double-digit YoY apartments and townhouses says Abu Dhabi is being repriced. It is no longer a discount market to Dubai.
- **40,000 units per emirate in H2:** A materially larger supply pulse than H1. Watch December rental yields for the first signal on whether new stock changes the price path.



Three signals for Q3:

(1) whether the H2 40,000-unit supply pulse loosens rental yields;

(2) Abu Dhabi rent-freeze duration;

(3) whether Dubai volumes bounce 15%+ QoQ as the geopolitical premium unwinds – the test of pause vs trend.

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% Emiratization 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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