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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

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NEW AUP MANDATE: FTA DECISION NO. 6 TIGHTENS QFZP DISTRIBUTION COMPLIANCE

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Who's In Scope – And What Changed

- **AUP REPORT OBTAINED**
  QFZP status protected
  Distribution activity independently verified by a UAE-licensed auditor. Qualifying Income continues at 0% Corporate Tax, backed by defensible evidence for any FTA review.

- **AUP REPORT MISSING**
  QFZP status at risk
  Distribution activity may fail to meet QFZP conditions. Qualifying Income could be taxed at the standard 9% rate, with no grace period once the tax period closes.

Free Zone distributors can no longer rely on self-certified paperwork. **FTA Decision No. 6 of 2026** now requires Qualifying Free Zone Persons doing distribution activity in a Designated Zone to obtain an **Agreed-Upon Procedures (AUP) Report** from an independent UAE-licensed auditor – not just internal records. It applies to **tax periods starting on or after 1 January 2026,** meaning it is already live for calendar-year QFZPs. Miss the AUP Report and **the qualifying activity can fail the QFZP test entirely,** putting the 0% Corporate Tax treatment on that income at risk.

Getting Ahead of the AUP Requirement

Step 1 · Scope the activity: Confirm your Free Zone entity is a QFZP carrying out qualifying distribution of goods or materials in or from a Designated Zone – service-only businesses are out of scope.

Step 2 · Build the evidence file: Sales agreements, invoices, customs and shipping records, warehouse and inventory logs, and customer declarations confirming reseller status where required.

Step 3 · Engage the auditor early: Coordinate the Agreed-Upon Procedures engagement with an independent UAE-licensed auditor well before your Corporate Tax return is due – the AUP uses sample testing, not a full review.

Step 4 · Retain the AUP Report: Keep the report with your supporting documentation. It sits alongside – not instead of – your audited financial statements and Corporate Tax filing.

THE BOTTOM LINE

FTA Decision No. 6 of 2026 shifts compliance from self-certified to independently verified – and it's already running for any calendar-year QFZP. If your Free Zone entity trades, distributes, or moves goods through a Designated Zone, confirm now whether this applies, and engage your auditor for the AUP scope well before Corporate Tax filing. Waiting until the return is due is the single biggest risk factor here.

TWO MORE VAT DIRECTIVES: VAT-GROUP EXITS (NO. 2) & DIGITAL-CURRENCY CONVERSION (NO. 3)

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Two more Directives on Tax Transactions moved into force this week. **Directive 2/2026** (effective 1 August) governs who reports VAT adjustments after a member exits a VAT Group. **Directive 3/2026** (published 17 July) fixes the exact method for converting digital-currency values to AED.

Update 2A ·Directive 2/2026: Exiting a VAT Group

When a registrant leaves a VAT Group but stays separately VAT-registered, who reports adjustments tied to supplies or expenses the Group already declared on its return? Directive 2/2026, effective 1 August 2026, answers: the exiting member does – on its own return.

DIRECTIVE 2/2026
VAT Group Exits
Effective 1 August 2026. Exiting member reports post-exit credit notes and input-tax corrections tied to supplies the Group already declared – on its own return.

DIRECTIVE 3/2026
Digital-Currency Conversion
Published 17 July 2026. Convert digital-currency values using the average rate of three FTA-approved platforms, fixed for the calendar year



The Two Covered Triggers

1. **Post-exit credit notes:** Rebates, discounts or bad-debt relief on a supply the Group's return already declared – the exiting member now reports the value reduction.
2. **Input tax corrections:** Reductions in recoverable input tax on expenses the Group previously claimed are corrected on the former member's own return, not the Group's.
3. **Traceability required:** Every adjustment must link back to the original Group-period supply – a number alone will not satisfy the Directive.

What Clients Should Do

1. **Groups with planned or recent exits:** Flag every pre-exit invoice still open to credit notes or price adjustments and build a handover schedule before the member deregisters.
2. **Former Group members:** Retain documentation linking any post-exit adjustment to the original Group-period supply. Joint-and-several liability for the grouped period still stands.

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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.

Update 2B ·Directive 3/2026: Digital-Currency Conversion to AED

For the first time, the FTA has fixed exactly how digital-currency values convert to AED for VAT purposes – **no more inconsistent spot-rate choices**. Directive 3/2026 anchors the conversion on three FTA-approved platforms and a fixed averaging method.

The Conversion Method

- **Pick three platforms:** Select three exchanges from the FTA's approved list – Binance FZE, Bybit Fintech FZE, Deribit FZE, Bitget, Payward FZCO – for the full calendar year.
- **No mid-year switching:** The same three platforms apply throughout the calendar year – businesses cannot cherry-pick a more favourable combination later.
- **Average and timestamp:** Convert at the numerical average of the three platforms' rates, taken at the date/time of supply or receipt of consideration. Keep timestamped records.
- **1.Valuation only:** The Directive fixes the AED value – it does not decide whether a given crypto transaction is taxable in the first place.

WORKED EXAMPLE ·DIRECTIVE 3/2026

Supply invoiced for 2 BTC. Platform rates at time of supply: Binance AED 245,100, Bybit AED 244,850, Deribit AED 245,300.
Average rate → (245,100 + 244,850 + 245,300) ÷ 3 = AED 245,083 per BTC
AED value of supply = 2 × 245,083 = AED 490,166. VAT due (5%) = AED 24,508.

Where This Bites

- **Crypto-accepting merchants:** Lock in your three platforms and document the choice before your next covered transaction – retroactive changes are not permitted.
- **Payroll or supplier payments in crypto:** The same averaging method applies to consideration received in digital currency, not just sales.
- **VAT Groups mid-restructuring:** An exiting member handling a crypto-priced adjustment this quarter must satisfy Directive 2 and Directive 3 at the same time.

THE BOTTOM LINE

Four VAT Directives in three weeks (Nos. 2 through 5) is the clearest signal yet that the FTA is closing definitional gaps ahead of the e-Invoicing 5-Corner era. Directive 2/2026 is already in force for any Group exit. Directive 3/2026 needs a platform decision now, before your next digital-currency transaction. Both belong in the same FY26 VAT policy refresh as Directives 4 and 5.

OIL SPIKES 12%, TRADE HITS AED 1.937TN: A WEEK UAE RESILIENCE WAS TESTED

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Brent crude spiked toward **USD 98, up 12% on the week** as Hormuz tensions resumed – normally bad news for a dollar-pegged economy. Instead, the UAE posted a **record AED 1.937 trillion in H1 non-oil trade**, better-than-expected Q2 profits at its two largest banks, and **Dubai commercial property sales up 183% YoY** – even as Aldar unveiled an AED 100 billion Abu Dhabi waterfront project.

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.

What It Means for Clients

- **Investors & family offices:** Commercial office exposure – Business Bay led at AED 8bn – is where institutional demand is concentrating; worth a look against residential-heavy portfolios.
- **Corporate treasury teams:** Two record bank quarters (ENBD AED 6.4bn, FAB AED 5.72bn) signal ample onshore liquidity – a reasonable moment to revisit financing terms before any Fed move
- **Trade & customs teams:** The record AED 1.937tn non-oil trade figure – led by China, Switzerland and India – is worth benchmarking against your own exposure and the pending Canada CEPA.

WHAT TO WATCH

Three signals for Q3: (1) whether the Fed's rate path shifts as oil-driven inflation risk rises; (2) Canada-UAE CEPA ratification timing; (3) whether Dubai's commercial momentum (AED 19.5bn H1, already above all of 2025) continues into H2 or was front-loaded.

Two Speeds: Institutional Confidence vs Retail Residential

- **MACRO & CAPITAL · JULY 2026**
  Non-oil trade H1: AED 1.937tn, +13.1% YoY
  - Brent crude ~USD 98, +12% on the week
  - Emirates NBD Q2 profit: AED 6.4bn
  - FAB Q2 profit: AED 5.72bn, +4% YoY
- **COMMERCIAL & DEVELOPMENT**
  Dubai commercial sales: AED 19.5bn H1, +183% YoY
  - Offices AED 15.8bn (81% of total)
  - Aldar's Marsa Al Saadiyat: AED 100bn, Abu Dhabi
  - Blackstone plans DIFC office return

What's Actually Happening

- **Institutional capital didn't blink:** Blackstone's DIFC move, Aldar's AED 100bn commitment and two record bank quarters all landed the same week Brent spiked – long-horizon capital is pricing UAE risk as contained.
- **Commercial is where the growth concentrates**: Office sales made up AED 15.8bn of Dubai's AED 19.5bn H1 commercial total – occupiers and investors underwriting years, not the news cycle.
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Two Things to Watch Into Q3

- **Fed policy pass-through:** With oil pushing inflation risk back up, near-term rate cuts look less likely – factor higher-for-longer financing costs into H2 underwriting.
- **Canada-UAE CEPA implementation:** The deal concluded in a record 47 days but is not yet ratified – trade and customs teams should track ratification before relying on preferential tariff treatment.

YOUR COMPLIANCE CALENDAR

Refreshed for the next **11** months.

DATE	WHAT'S DUE / WHAT KICKS IN
17 Aug 2026 (Mon)	Final deadline for filing Excise Tax return (FTA portal).
30 Sep 2026 (Wed)	CT Waiver Deadline: file first CT return (31 Dec 2025 year-ends) to auto-waive AED 10,000 late-registration penalty.
30 Sep 2026 (Wed)	Corporate Tax return due (31 Dec 2025 year-end). Q3 2021 VAT credits expire.
30 Oct 2026 (Fri)	ASP appointment deadline for businesses with revenue ≥ AED 50M (extended from 31 July).
31 Dec 2026 (Thu)	Cliff: pre-2021 VAT credits, Small Business Relief, +2% Emiratisation rate all due.
1 Jan 2027 (Fri)	Mandatory e-Invoicing go-live for businesses ≥ AED 50M. Per-invoice penalties begin.
28 Jan 2027 (Thu)	Quarterly VAT return for Oct–Dec 2026 due.
31 Mar 2027 (Wed)	ASP appointment deadline for businesses < AED 50M; government entities also.
28 Apr 2027 (Wed)	Quarterly VAT return for Jan–Mar 2027 due.
1 Jul 2027 (Thu)	Mandatory e-Invoicing go-live for businesses < AED 50M.
1 Oct 2027 (Fri)	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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