RCA TAX CONSULTING LLC
YOUR TAX PLANNER

MONTHLY NEWSLETTER

June 2026

VOL 06

06

Navigating UAE's Evolving Tax Landscape

WHAT'S INSIDE

- Corporate Tax
- Transfer Pricing
- VAT Updates
- E-Invoicing

MESSAGE FROM MANAGING PARTNER

CA Nishant Rayma

As we move toward the second batch of UAE Corporate Tax returns, businesses need to revisit their *Qualifying Free Zone Person (QFZP)* status in light of Ministerial Decision 229 replacing MD 265, while ensuring consistency with positions taken in the first CT return, *including elections made.* Businesses should also refresh *Transfer Pricing benchmarking comparables* and review their Local File and Master File.

In addition, we have introduced a new chapter on *Double Taxation Avoidance Agreements (DTAAs),* providing practical insights into treaty benefits, tax residency, and cross-border tax considerations. The *Pillar Two* Top-up Tax Registration also goes live on EmaraTax.

On VAT, the FTA has issued further regulatory updates that businesses must factor into their compliance approach, and VAT now applies to Salik toll charges, effective 1 June 2026.

E-Invoicing implementation continues to progress at a steady pace, making a timely VAT Health Check, together with an E-Invoicing readiness and Gap Analysis essential.

At RCA, we remain committed to being your trusted guide through every development—helping you stay compliant, prepared, and ahead of the curve.

IN THIS ISSUE

June 2026 – Key Tax Updates

01 UAE Corporate Tax

- QFZP Reassessment – MD 229 Replacing MD 265
- Elections to be made in CT Return
- New Chapter: Tax Treaties – Cross-Border DTAA Considerations

02 Transfer Pricing

- Annual Comparable Update – TP Benchmarking
- Continuous Monitoring & Operational TP Discipline

03 Value Added Tax (VAT)

- VAT Health Check – Governance, Recovery & Audit- Ready Reporting

04 E-Invoicing Implementation

- E-Invoicing Implementation Readiness

CT 1.1

Qualifying Free Zone Persons (QFZP) - Year 2 Part III - *Evaluation*

MD No. 229 of 2025 Replacing MD No. 265 of 2023 | Slide 1 of 2

What's Changed Under MD 229

MD 229/2025 replaces MD 265/2023, expanding QFZP qualifying activities to include treasury and self-financing

Why Reassessment Is Needed

QFZPs should reassess eligibility for the 0% CT rate under the revised rules

Key Changes (MD 229 vs MD 265)

Qualifying Commodities Expanded

Raw form requirement removed; coverage extended to additional commodities

51% Distribution Revenue Rule for Qualifying Commodities

QFZP status is lost if ≥51% of revenue comes from distribution, warehousing, logistics or inventory management

Treasury & Self-Financing Recognised

Treasury and financing for related parties or own account are now Qualifying Activities

Ancillary Activity Test Clarified

Ancillary activity must be necessary for the main activity or make a minor, closely-related contribution

Actions Required

- ✓ Reassess Qualifying Commodity classification against the expanded MD 229 scope
- ✓ Test distribution, warehousing and logistics revenue against the new 51% threshold
- ✓ Review treasury and self-financing arrangements for Qualifying Activity treatment
- ✓ Confirm audited financial statements align with MD 84 of 2025
- ✓ Apply the revised ancillary activity test to mixed-activity income
- ✓ Cross-check counterparties against the MD 230 Recognised Price Reporting Agencies list

CT 1.1

MD 229 vs MD 265 – What Changed

Six Key Differences for Qualifying Free Zone Persons | Slide 2 of 2

Qualifying Commodities Expanded

Beyond raw form now includes chemicals, metals, minerals, energy, agriculture & by-products

Qualifying Commodities:51% Distribution Threshold

QFZP status is lost if ≥51% of revenue comes from distribution, warehousing, logistics or inventory management

Qualifying Commodities: Commodity Finance Clarified

Covers derivatives trading and structured finance — prepayment, factoring, forfaiting, warehouse receipts & more

Distribution Activities: Distribution to Public Benefit Entities

Designated Zone distribution extended to cover supplies made to public benefit entities

Treasury & Self-Financing

Related-party and self-financing treasury activities are now Qualifying Activities

Audited FS & Ancillary Test

Audited FS mandatory and ancillary test requires minor, closely related contribution

CT 1.2

UAE Corporate Tax — Elections Overview

Federal Decree-Law No. 47 of 2022 | As amended by Ministerial & Cabinet Decisions

A Entity Structure Elections

On Formation | FTA Application

- **Partnership Fiscal Transparency**
  Defers tax on unrealised gains and losses
- **Family Foundation (FF) Transparency**
  Treats an eligible FF as tax transparent

B Relief Elections

Annual — Recurring

- **Small Business Relief**
  Exempts eligible small businesses from CT
- **Foreign PE Exemption**
  Exempts eligible income of a foreign PE from CT

C Group & Free Zone Elections

Ongoing

- **Tax Group Election**
  Allows eligible be Taxed as a single tax group
- **Opt-out of QFZP Status**
  Allows a Free Zone Person to elect out of QFZP status

D Reorganisation Elections

Per Transaction

- **Business Restructuring Relief**
  Defers tax on qualifying business restructuring transactions
- **Qualifying Group Transfers**
  Provides tax relief for qualifying intra-group asset transfers

E Accounting & Transitional Elections

One-Time | First Return Only

- **Realization Basis Election**
  Defers tax on unrealised gains and losses until realised
- **Inv. Property Depreciation Adj.**
  Adjusts taxable income for depreciation on investment property
- **Transitional Rules Election**
  Allows transitional relief for pre-Corporate Tax assets and liabilities

CT 1.3

International Taxation — Introduction to Tax Treaties

Foundations of Cross-Border Taxation & Relief | Slide 1 of 4

2 Types	3 Relief Routes	Article 66
Jurisdictional & Economic Double Taxation	Tax Treaties, *MLIs & Unilateral Relief Measures	CT Law — Treaty Terms Prevail Where Inconsistent

What Determines Cross-Border Tax Treatment

Cross-Border Impact
In today's era of global transactions, taxation significantly impacts trade and investment between countries

Residence vs Source
Taxability is determined by the taxpayer's Residency Status and the Source of income

Who Can Benefit
Public & private companies, investment firms, air transport firms and UAE residents benefit from DTAAs

Jurisdictional Double Taxation
Arises when the same income is taxed twice in the hands of the same person across two states

Economic Double Taxation
Arises when the same income is taxed in the hands of different persons

Relief Mechanisms
*Addressed through *Multilateral International Agreements (MLIs), Tax Treaties, or Unilateral Relief Measures*

Where the terms of an international agreement are inconsistent with the CT Law, the terms of the agreement shall prevail

CT 1.3

Evolution & Models of International Tax Law

What is a DTAA: bilateral & limited treaties between states, with associated protocols, MOUs and information exchange provisions

DTAA → **OECD Model Tax Convention (MTC) 2017**

DTAAs are shaped alongside the OECD Model Tax Convention on Income and on Capital (MTC) 2017 — the UAE has adopted the OECD Model for its own tax treaties

Three Global Models for Tax Treaties

OECD Model

Balanced toward developed countries; adopted in UAE tax treaties

UN Model

Considers the interests of both developed and developing countries

US Model

The model used by the United States while drafting its own tax treaties

Why a Model Matters A standard agreement considered the starting point for negotiating a tax treaty between two countries

Most UAE tax treaties follow the OECD Model Tax Convention, covering dividends, interest, royalties, business profits, capital gains and employment income

CT 1.3

DTAAs — Scope & Categories of Income

How Tax Treaties Allocate Taxing Rights | Slide 3 of 4

Category of Income	How the DTAA Allocates Taxing Rights
Dividend Income	Allocates taxing rights on cross-border dividend income between the source and resident states
Interest & Royalties	Separate articles govern interest income and royalty payments under each DTAA
Business Profits	Determines when profits are taxable in the source state, typically via a Permanent Establishment
Capital Gains & Property	Covers capital gains and income from immovable property under dedicated articles
Employment Income	Sets out when income from employment is taxable when earned across borders
Domestic Law Comparison	Each article is compared with domestic law & the taxpayer applies the more beneficial provision

Each category of income is governed by a separate article in the relevant DTAA and compared against domestic law provisions

UAE’s DTAA Network — Legal Basis & Key Treaties

Corporate Tax Law, Cabinet Decisions & MOF/FTA Updates | Slide 4 of 4

137 DTAAs
Concluded with Major Trading Partners- MOF

193 Total
DTAs & Bilateral Investment Treaties Combined — MOF

Article 66
UAE CT Law — Treaty Terms Prevail Over Domestic Law

Legal Basis & Reported Network Updates

Article 66, UAE Corporate Tax Law
Federal Decree-Law No. 47 of 2022 — treaty terms prevail over the CT Law where inconsistent

Cabinet Decision No. 85 of 2022
Sets the UAE tax residency tests (183-day / 90-day) required to obtain a Tax Residency Certificate (TRC)

FTA — TRC via EmaraTax
The Federal Tax Authority issues the TRC, the primary document required to claim treaty benefits abroad

OECD-Based Framework
The UAE's 137 DTAAs are primarily based on the OECD Model Tax Convention

UAE–UK & UAE–India Treaties
Income Tax Treaty with the United Kingdom (2016) and with India remain key agreements in the network

Reported Recent Additions*
Market commentary cites new/updated treaties for Qatar & Kuwait (2025) and Bahrain (Jan 2026)

**Treaty terms change with new ratifications; verify current status via MOF treaties dashboard before reliance*

TP 2.1

Annual Comparable Update – Transfer Pricing Benchmarking

UAE Corporate Tax Guide – Transfer Pricing (CTGTP1) | Section 5.3.5.4

Every 3 Years	Annual	Year of Change
Full Comparable Search Update Required	Financial Update of Comparables in Interim Years	Full Re-Analysis if Circumstances Change

What the Annual Update Involves

Financial Data Refresh
Update the financial data of existing comparables using the latest available accounts — no change to the companies selected

Trigger for Full Update
A full search is conducted every three years or earlier if there is a material change in the controlled transaction or related parties

Benchmarking Range Review
Refresh the arm's-length range (interquartile range) to confirm pricing remains within range

Change in Circumstances
Changes in business model, functions, risks or market conditions of either party require a fresh comparable search in that year

Documentation Update
TP documentation must reflect updated benchmarking and arm's-length compliance for the Tax Period

Proactive Monitoring
Annual updates allow businesses to identify pricing adjustments proactively rather than facing disallowance during an FTA audit

"Comparables should be fully updated every 3 years with an annual financial update in interim years. A change in circumstances requires full re-analysis in that year" **CTGTP1, Section 5.3.5.4**

Continuous Monitoring & Operational TP Discipline

Reassess Existing TP Policies

Revisit current TP policies based on first-year learnings, financial outcomes and regulatory changes, aligning them with actual operations

NEW Set TP for New Controlled Transactions

Evaluate new intercompany transactions upfront and set pricing methodologies at the outset — ensuring arm's-length compliance from day one

Reassess Connected Person Transactions

Periodically review connected-person transactions — changes in business models, cost structures or market conditions may require adjustments

Ensure TP Compliance for QFZP Status

Strict adherence to TP rules is essential for Free Zone entities. Non-compliance may risk disqualification from QFZP benefits

Shift to Operational TP Discipline

Implement periodic reviews, maintain documentation trails and align finance, tax and business teams so TP policies are consistently executed

Year 2 focuses on operational TP, real-time compliance, and proactive risk management

VAT 3.1

VAT Health Check

Federal Decree-Law No. 8 of 2017 (VAT Law) & FTA Guidance

6 Core Areas

Reviewed in a VAT Health Check

RCA VAT Health Check Methodology

A VAT Health Check is an independent, structured review of VAT processes, records, calculations and compliance — a diagnostic scan conducted before shifting to real-time digital reporting such as E-Invoicing

Why a VAT Health Check Matters

1. **Errors Surface Instantly Under E-Invoicing**

   Structured data flows and automatic validation mean VAT errors are exposed immediately, not just during FTA audits or annual reviews

2. **Prevents FTA Penalties**

   Early detection of VAT issues avoids costly corrections and penalties after E-Invoicing go-live

3. **Strengthens Internal Controls**

   Reviews VAT registration accuracy, TRN usage, voluntary disclosure history and the compliance calendar

4. **Enhances System Readiness**

   Validates VAT treatment and reconciliations before ERP upgrades or E-Invoicing implementation

5. **Reduces Implementation Risk**

   Corrects reverse charge, zero-rating and credit note issues in advance of digital reporting

6. **Improves Cash Flow & Protects Reputation**

   Reduces voluntary disclosures, audit exposure and the risk of reputational harm

VAT 3.2

VAT Health Check — Scope of Review

RCA VAT Health Check Methodology

24+ Checks

Across the Full VAT Lifecycle

Registration to Audit Readiness

A VAT Health Check goes beyond checking returns — it reviews the entire VAT ecosystem of a business, so issues are corrected before E-Invoicing makes them instantly visible

What a VAT Health Check Covers

1. **Registration & Compliance Framework**
   VAT registration accuracy, TRN usage and documentation, voluntary disclosure history, and the compliance calendar

2. **Accounting Records & Documentation**
   Review of accounting ledgers, tax invoice formats, credit note compliance and import/export documentation

3. **Output & Input VAT Testing**
   Sample transaction testing, output VAT verification, input VAT eligibility and reverse charge application

4. **VAT Returns Deep Review**
   Line-by-line review of filed returns, reconciliation with the trial balance and annual financial statements

5. **Sector & Scheme Evaluation**
   Zero-rating and exemptions, Free Zone VAT implications, refund eligibility and VAT planning strategies

6. **Audit Readiness Assessment**
   File preparation for a potential FTA audit, supporting schedules, control weaknesses and risk scoring

EI 4.1

UAE E-Invoicing Implementation - Phase 1

REVISED **DEADLINE: 30 October 2026** *(Revised from 31 July 2026)* — **Appoint an Accredited Service Provider (ASP)**

Applies to businesses with annual turnover > AED 50 million | **Penalty: AED 5,000/month for non-compliance**

1 Assess Applicability

Confirm threshold eligibility (AED 50M turnover) and E-Invoicing obligation

2 System Evaluation

Assess ERP/accounting systems for Peppol XML compatibility

3 Integration Approach

Determine method: Direct API, middleware/ASP platform, or hybrid model

4 ASP Selection & Onboarding

Initiate ASP selection process well in advance of the 30 October 2026 deadline

5 VAT Alignment Review

Ensure correct tax treatment and map invoice data to the E-Invoicing Data Dictionary

6 Data Governance

Review retention policies, cleanse data, and train finance, IT, and tax teams

E-Invoicing is no longer a future requirement — it is an immediate priority. Proactive steps are essential to avoid penalties

WE ARE HERE TO ASSIST

Need Support?

Corporate Tax

Advisory, return filing, TRC applications, restructuring, QFZP evaluation

E-Invoicing

ERP readiness, PINT-AE mapping, ASP selection & implementation roadmap

VAT Services

VAT advisory, return filing, VAT Health Check — foundation for E-Invoicing

Transfer Pricing

TP policy review, intercompany documentation, arm's-length compliance

R&D Tax Credit

Identify eligible activities, validate expenditure, manage pre-approval

Accounting & Audit

Accounting services, financial reporting and statutory audit support

E-Invoicing: support@einvoicing.agency | **Tax & Advisory:** info@RCATaxConsulting.com | **WhatsApp Group:** +971509786500

Stay Compliant. Stay Prepared. Stay Ahead.

CONTACT US

E-Invoicing Support
support@einvoicing.agency

Tax & Advisory
info@RCATaxConsulting.com

WhatsApp / Call
+971 50 978 6500

Website
www.RCATaxConsulting.com

Office
911, Al Mattar Plaza, Dubai

Nishant Rayma, B.Com, FCA
Managing Partner | RCA Tax Consulting LLC

SCAN TO CONNECT

RCA Tax Consulting LLC
wa.me/971509786500
WhatsApp Business Account

Scan this code to start a WhatsApp chat with RCA Tax Consulting LLC

FOLLOW US ON

LinkedIn
RCA Tax Consulting LLC

YouTube
CA Nishant Rayma

Instagram
@rcataxconsulting

X (Twitter)
@RCATaxConsulting

Website
RCATaxConsulting.com

Disclaimer: The content of this Newsletter is for informational purposes only and does not constitute legal, tax or professional advice. RCA Tax Consulting LLC reserves the right to revise the content.