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September 2026

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UAE Corporate Tax:

Key Observations from the First Filing Season

Insights and lessons learned from the inaugural tax filing cycle

01 Documentation & Governance

Critical focus on maintaining robust supporting evidence for all tax positions, elections, and fiscal adjustments.

02 First Year Filing Challenges

Common hurdles included the underestimation of time required for data extraction and complex tax computations..

03 Emara Tax Portal Experience

Practical challenges encountered during registration and tax return submission..

04 Accounting & Tax Adjustments

Increased focus on interest limitation rules, accounting treatments and tax adjustments.

05 Transfer Pricing Disclosure

Authorities applied heightened scrutiny on disclosures pertaining to related parties and connected persons.

UAE Corporate Tax – Recent
Developments & Areas of Focus

Key developments and compliance imperatives for the evolving regulatory landscape

Financial Statements & Tax Filings

Key considerations around audited financial statements, tax group compliance and filing requirements.

Pillar Two

Registration now open
Domestic Designated Filing Entity; or Entity Registering Individually

Family Foundations

Recent guidance from FTA on tax transparency of family foundations and related nuances of multi tier structures

Tax Audits

Proactive identification and mitigation of high-risk exposure areas ahead of increased FTA scrutiny.

Free Zone Persons

Further clarification on qualifying activities, including treasury and financing functions.

R&D Tax Credit

Introduction of the UAE R&D Tax Credit regime to encourage innovation and investment.

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Tax Webinar

UAE Corporate Tax Deadline: 20 Things to Check Before You File

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UAE VAT:

Recent Developments & Areas of Focus

Key regulatory updates and compliance priorities for 2026

Salik & Parking Charges

5% VAT applies to toll gate usage, tag activation, and public parking services effective June 1, 2026. Need to reassess the VAT treatment and identify the eligibility to claim input tax on such charges.

Designated Zones

VAT treatment depends on precise tracking of physical goods movement between Designated Zones, Mainland, and overseas. Services provided within or from designated zones or services received are standard-rated (5%) unless they qualify as zero rated (0%).

VAT Refund Claims

Strict enforcement of the 5-year limitation period for all recovery claims and excess input tax. Refund submitted in the 5th year will be subject to extended audit by the FTA.

VAT Deregistration

A proactive, mandatory process required within 20 business days of eligibility to avoid penalties, especially during legal entity restructuring.

Key VAT developments and practical considerations for UAE businesses in 2026.

UAE VAT:

Recent Developments & Areas of Focus

Key regulatory updates and compliance priorities for 2026

FTA Audit Scrutiny

Focus on input recovery, zero-rated supplies and intercompany or related-party transactions. Clients to check the expenses on which input tax has been claimed, collate and retain all the supporting documents for zero rated transactions and ensure the VAT treatment of related party transactions aligns with the UAE VAT regulations.

Customs vs. VAT Reconciliation for Imported Goods

Reconciliation required for import value as per Customs vis a vis VAT Return to avoid any VAT and / or penalty implication by the FTA. Mismatches occur due to shipping adjustments, difference in exchange rates, or delayed customs clearings.

Tax Grouping

Strategic consolidation of entities to streamline VAT reporting, remove intra-group transaction tax, and improve operational efficiency.

Key VAT developments and practical considerations for UAE businesses in 2026.

UAE VAT:

Recent Developments & Areas of Focus

Mandatory Due Diligence Requirements for Input Tax Recovery - FTA Decision No. 13 of 2026

1- Supplier Verification

- ✓ Identity Verification
- ✓ Physical Presence & Location
- ✓ Risk Level Assessment
- ✓ Banking & Reputation Check (For Supplies > AED 375,000/year)

2- Supply Integrity Verification

- ✓ Ensure the transaction is based on business grounds, and the prices align with market values.
- ✓ Payments must be made via electronic means. Cash payments are restricted and require clear documentation.
- ✓ Verify that supplied goods/services fall within the supplier's licensed trade activities.

3- Operational Procedures & Compliance Rules

- ✓ Supplier verification must be completed for all new suppliers and re-verified annually.
- ✓ Every taxable supply received must undergo supply integrity verification.
- ✓ Taxable Persons must maintain a formal written internal policy designating responsible staff, authorization limits, and procedures.

Key VAT developments and practical considerations for UAE businesses in 2026.

UAE VAT:
Recent Developments & Areas of Focus

Mandatory Due Diligence Requirements for Input Tax Recovery - FTA Decision No. 13 of 2026

4- Key Thresholds & Exceptions

- ✓ A Taxable Person may disregard that verification where the consideration **excluding VAT** is below AED **10,000**.
- ✓ This exception does not apply where the total value of supplies received from the same supplier:
- ✓ **Exceeds AED 100,000** during the preceding **12 months**, or
- ✓ Is **expected to exceed** AED 100,000 during the following 12 months.

5- Action Required for UAE Businesses

- ✓ Draft Internal Due Diligence Policies (Before the October 1, 2026 deadline).
- ✓ Update Onboarding Workflows
- ✓ Audit Current Master Data

Transfer Pricing:
Disclosure Form

Assessing related party and connected person filing obligations under the UAE CT Law

Applicability: Every UAE Taxable Person with Related Party or Connected Person transactions must assess disclosure obligations. If any threshold below is breached, a TP Disclosure Form must be filed as part of the Tax Return — disclosure is separate from, and does not depend on, Master File / Local File obligations.

Related Party Transactions (RPT) Schedule

AED 40M / AED 4M

Aggregate related party transactions / per single category

Triggered if the value of RPT exceeds AED 40M. A category-wise threshold of AED 4M also applies.

Connected Persons Schedule

AED 500,000

Per Connected Person, per year

Triggered per individual Connected Person (director, owner, key personnel) whose payments/benefits exceed AED 500K.

Filing Timeline

1. **Tax Period ends**
   Financial year-end for the Taxable Person
2. **TP position assessed**
   RPT & Connected Persons thresholds tested
3. **Form filed with Tax Return**
   TP Disclosure Form submitted as part of the CT return
4. **Due: 9 months**
   From the end of the relevant Tax Period

Transfer Pricing:
Local File & Master File

Thresholds and timelines for maintaining transfer pricing documentation

Threshold

- Where the Taxable Person is a Constituent Company of an MNE with total consolidated group revenue of AED 3.15B or more in the relevant tax period; OR
- Where the Taxable Person's revenue in the relevant tax period is AED 200M or more

Timeline

- Taxable Persons subject to the above thresholds are required to annually prepare and maintain the Local File
- Should be provided to the FTA within 30 days upon request

QFZP entities: still need to comply with the arm's-length principle and maintain sufficient TP support for Related Party and Connected Person transactions.

Transfer Pricing:
Connected Persons

How to determine whether an individual meets the updated connected person definition

Public Clarification

- Director title alone does not create Connected Person status.
- Officer status depends on actual authority, not designation.
- Officers typically have authority to direct and control business activities, make strategic decisions, enter into agreements, and legally bind the company.
- Only individuals with such powers are considered Officers.

Three Tests for Connected Person Status

1. Board Appointment

Is the individual formally appointed to the Board of Directors (or equivalent)?

2. Functional Test

Does the individual have authority to make strategic decisions, direct or control business activities, or enter into contracts on behalf of the company?

3. Substance Over Form

Does the individual act as decision-maker in practice, without formal title or authority?

Transfer Pricing:
Downward Adjustment

Effective date, approval, documentation and disclosure requirements

Effective This clarification is effective as of the date of implementation of the UAE CT Law, and does not differentiate between domestic and cross-border downward TP adjustments. **Date:**

Documentation

Taxable Persons must maintain adequate documentation to support downward TP adjustments, including (but not limited to):

- Rationale for making the downward adjustment in the Tax Return
- Arm's-length analysis, including a benchmarking study
- Reconciliation between values recorded in the Financial Statements and arm's-length values reported in the Tax Return
- Symmetrical corresponding adjustments undertaken by the related party

Approval

Prior FTA approval is not required to make downward TP adjustments in the Tax Return; however, such adjustments remain subject to Tax Audit.

Disclosure

Transactions with downward adjustments must be disclosed in the Tax Return (TP Disclosure Form), irrespective of value or nature.

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