The Institute of Chartered Accountants of India
(Dubai) Chapter NPIO

UAE TAX UPDATE NEWSLETTER

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For comprehensive information on UAE Corporate Tax, please refer to the following links:

UAE Corporate Tax Legislation

https://tax.gov.ae/en/legislation.aspx

FTA Guides on Corporate Tax

https://tax.gov.ae/en/taxes/corporate.tax/corporate.tax.guides.references.aspx

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From the Desk of The
CHAIRMAN

Dear Esteemed Members,

I am pleased to bring you the latest edition of our tax updates newsletter, keeping you informed on key regulatory developments impacting businesses in the UAE and beyond. As we progress through 2025, staying up to date with evolving tax policies remains essential for ensuring compliance and strategic decision-making.

This month, we cover two significant topics:

- **E-Invoicing Programme Consultation Paper:** With digital transformation playing a pivotal role in tax administration, the E-Invoicing Programme aims to enhance efficiency, accuracy, and compliance in invoicing. This article explores the key aspects of the consultation paper and its expected impact on businesses in the UAE.

- **Cabinet Decision No. 142 of 2024 on the Imposition of Top-up Tax on Multinational Enterprises:** This decision outlines the cases, provisions, conditions, rules, and procedures for the imposition of top-up tax on multinational enterprises in line with global tax reforms. Our coverage provides clarity on its implications and how businesses can prepare for the changes.

Our editorial team has worked diligently to ensure this edition provides relevant and practical insights to help you navigate the latest tax developments. As always, your feedback and engagement are invaluable in strengthening our knowledge-sharing platform.

Thank you for your continued support, and I look forward to our collective efforts in fostering professional growth and excellence.

Warm regards,
CA Rajesh Somani
Chairman,
ICAI (Dubai) Chapter NPIO

3 UAE TAX UPDATES

3.1 E Invoicing Programme Consultation Paper

Introduction

Objectives: To gather feedback from the UAE businesses and E Invoicing Service Providers on the proposed elements of the UAE E Invoicing Framework, aiming to create a shared understanding of the requirements and help businesses start planning for E Invoicing adoption:

- The E Invoicing Data Dictionary (PINT AE): This document outlines the key data elements (fields) and their attributes for the most commonly used invoice types by businesses in the UAE. It highlights the importance of standardization to ensure consistency across different document types, which is essential for smooth integration and processing of E Invoices within the business ecosystem
- Excluded Transaction: A Business Transaction for which there is no E Invoicing exchange and reporting requirement,

Specifically, this consultation seeks to:

- Establish a common understanding of data elements used in E Invoices across business communities
- Understand the practical requirements of businesses, and in the process, identify any gaps or additional data fields necessary for operational, regulatory, or analytical purposes
- Obtain diverse perspectives, including from industry experts, accounting firms, and E Invoicing Service Providers, to create a holistic and widely accepted electronic invoicing framework.

It is important to note that E Invoicing will be rolled out in a phased manner. In this regard, a comprehensive rollout strategy would be developed and communicated to the business community in due course.

Background

One of the four pillars underpinning the "We the UAE 2031" vision is the Forward Ecosystem, an imperative to enhance government performance, continue to strengthen the UAE's digital infrastructure and its development according to the latest technological methods. One such initiative that has been approved by the UAE Cabinet is the eInvoicing Program. The UAE eInvoicing program in the UAE also reflects a global trend in this regard (i.e. the adoption of Digital Reporting Requirements (DRR) generally, and Continuous

Transactions Controls (CTC) more specifically), and offers the opportunity to deliver a number of key domestic imperatives aligned with We the UAE 2031 vision, namely:

- VAT compliance: Maximize compliance, tackle the shadow economy, and shrink the tax gap.
- Effectiveness: Increase transparency and improve audits with a view to encouraging a long-term culture of compliance.
- Taxpayer experience: Enhance taxpayer and user experiences, potentially offering new and innovative engagements.
- Digitalization: Reduce human intervention in certain business and tax reporting processes with a view to making the UAE and its fiscal ecosystem more digitally enabled.
- Efficiency: Optimize cost and core operations, reduce processing time and encourage a reduction in paper wastage with a view to helping meet sustainability objectives.
- Economic contribution: Contribute to the growth and competitiveness of the economy and utilize big data.
- Contribute for policy making and government interventions: By adopting E Invoicing, UAE government will have access to the relevant data in near real-time which will help in providing deep insights to policy makers for identifying areas and sectors that need government support and assistance.

For the business community, E Invoicing will enhance ease of doing business, promote fair competition, streamline VAT refund mechanism, reduce compliance burden, pre-fill VAT fields (as practical as possible) and provide environment for near real-time exchange of digitalized document such as invoices. In countries that have already implemented E Invoicing, businesses over a period of time, have benefited from the overall reduction in the cost of invoice processing.

Overview of the Data Dictionary (PINT AE)

UAE E Invoicing framework

E Invoicing requirements apply not only to taxable persons, but also to all businesses operating in the UAE, regardless of their VAT registration status. The UAE has adopted a Decentralized Continuous Transaction Control and Exchange (DCTCE) model which is a modern approach to electronic invoicing that leverages decentralized technologies to enhance the efficiency, security, and transparency of transaction processing.

The Data Dictionary is a critical component underpinning the entire E Invoicing ecosystem. In simple terms, it is a structured and standardized catalogue of all the data elements used in the process of generating, exchanging, processing and reporting an eInvoice (which for these purposes includes the tax invoice, tax credit note, self-billing and other invoicing scenarios). It serves as a foundational reference for businesses, software developers, and regulatory bodies to ensure consistency, interoperability, and compliance in E Invoicing systems.

a) Typical use cases using the Data Dictionary

The most common use cases for generating an invoice/credit note in the UAE (i.e. the instances where a tax invoice/tax credit note is required to be issued or needs to be generated and retained) have been captured in the table below. Note that the table identifies which of the Appendices to this document you will find the relevant use case Data Dictionary fields.

Use case	Description	Details
1	UAE Standard tax invoice	Mandatory and commonly used optional fields
2	Supply under Reverse charge mechanism	Additional requirements beyond use case 1
3	Zero rated supplies	Additional requirements beyond use case 1
4	Deemed supply	Additional requirements beyond use case 1
5	Disclosed agent billing	Additional requirements beyond use case 1
6	Summary tax invoice	Additional requirements beyond use case 1
7	Continuous supplies	Additional requirements beyond use case 1
8	Supply involving free trade zone	Additional requirements beyond use case 1
9	Supply through e-commerce	Additional requirements beyond use case 1
10	Exports	Additional requirements beyond use case 1
11	Margin scheme	Additional requirements beyond use case 1
12	Standard tax credit note	Mandatory and commonly used optional fields
13	Disclosed agent billing tax credit note	Additional requirements beyond use case 12
14	Commercial Invoice	Mandatory and commonly used optional fields
15	Self-billing	Mandatory and commonly used optional fields
16	Self-billing tax credit note	Mandatory and commonly used optional fields

b) Explanation of the Use Cases

Each use case is presented as a table of mandatory fields meaning that each field must be completed/contain a value in order to be valid. Note that there are more optional fields contained in the full version of the Data Dictionary but for presentational purposes only the mandatory and conditional mandatory fields have been shown.

ID	Business Term	UAE PINT Cardinality	Definition	Shared Rules Description	Aligned/Distinct Rules Description	Standard Tax invoice
IBT-001	Invoice number	1..1	A unique identification of the Invoice.	[ibr-002]-An Invoice MUST have an Invoice number (ibt-001).		M

The below table provides a brief explanation of each of the columns of the Use Cases in the appendix of this document

Column	Column Name	Description
1.	ID	"The ID of Business terms (i.e. a field on an eInvoice) IBT-XXX means the term is part of global specifications BTUAE-XX means the term is specific to UAE specifications"
2.	Business Term	Name of the business term i.e. the field name. These are the individual pieces of information required in an eInvoice, such as invoice number, invoice date, buyer details, seller details, tax rates, and payment details. Each data element has a unique identifier and description to eliminate ambiguity.
3.	UAE PINT Cardinality	"The cardinality of the business term 0..1 or 0..n - data field is not mandatorily required, but if present there can be one (0..1) or more occurrences (0..n) 1..1 or 1..n - data field must be present and there can be one (1..1) or more occurrences (1..n)"
4.	Definition	Each Business Term is defined with its purpose, meaning, and use case. For example: • Invoice Number: A unique identifier assigned to the invoice to distinguish it from others. • Tax Identification Number: A unique identifier for the buyer or seller for tax reporting purposes.
5.	Shared Rules Description	Business rules or specifications that govern the structure of the eInvoice exchanged between parties. These rules ensure data integrity, such as permissible value ranges or specific patterns (e.g., email formats or tax identification structures).
6.	Aligned/Distinct Rules Description	Business rules or specifications that govern the structure of the eInvoice exchanged between parties which are specific for the UAE. Identifies dependencies and relationships between business terms, such as linking line-item totals to the invoice grand total.
7.	Use Case specific Business Term applicability guidelines	These business terms for the corresponding use case, are applicable when issuing a tax invoice, or to any other invoice related to exempt or out of scope supplies, as per the UAE VAT law : M (Mandatory) : This indicates that a field is Mandatory for the issuer. O (Optional) : This indicates that a field is Optional for the issuer. C (Conditional) : This indicates that a field might become Mandatory depending on the presence of other fields. Please note that otherwise such fields are Optional."

Stakeholder key areas

The consultation seeks targeted feedback from stakeholders to refine the eInvoicing Data Dictionary document. The key areas of focus are:

a. Comprehensiveness: Are all required fields included?
The Data Dictionary encompasses all the essential fields necessary to support the end-to-end E Invoicing process. Comprehensiveness ensures that:

- Core data elements are covered: This includes fundamental fields like invoice number, date, buyer and seller details, item descriptions, tax information, payment terms, and totals.
- General use cases are addressed: For instance, whether the dictionary accounts for discounts, surcharges, multi-currency transactions, or other nuanced scenarios.
- Stakeholder perspectives are incorporated: Feedback is critical to identify any missing fields that might be required by businesses, software vendors, or tax authorities.

Considerations for Stakeholders:
- In the data dictionary, are there any fields missing for your specific business?
- Are there any conflicts / issues with the existing fields in the data dictionary?
- Are industry-specific data elements adequately represented?
- HSN (HS Code) and service codes are proposed to be initially optional fields on an invoice but they will become mandatory at a later stages of the eInvoicing programme. How many digits of HSN (HS Code) and service codes, do you feel would be comfortable/practical to report with your transactions – 4, 6 or 8 digits?
- Do you foresee any potential problems in reporting any specific transactions via the eInvoicing exchange e.g. from a practicality or privacy perspective?

b. Clarity: Are data element definitions clear and unambiguous?
- Clarity in the Data Dictionary ensures that every stakeholder, regardless of technical expertise, understands what each field represents and how it is used. Each data element has a clear, concise description that eliminates ambiguity. For example, defining "Invoice Date" explicitly as the date the invoice was issued, not the date it was created or sent.

Considerations for Stakeholders:
- Are there any fields or terms you find confusing or open to multiple interpretations?

3 UAE TAX UPDATES

3.2 Cabinet Decision No. 142 of 2024 on the Imposition of Top-up Tax on Multinational Enterprises

MNE Group and Group

An MNE Group is a Group with at least one Entity or Permanent Establishment outside the Jurisdiction of its Ultimate Parent Entity. A Group consists of Entities related through ownership or control, whose financials are included in the Ultimate Parent Entity's Consolidated Financial Statements or excluded only due to size, materiality, or being held for sale. A single Entity with Permanent Establishments in other Jurisdictions also qualifies as a Group if it is not part of another defined Group.

Constituent Entity

A Constituent Entity is any Entity within a Group or any Permanent Establishment of such an Entity. A Permanent Establishment considered a Constituent Entity is treated separately from its Main Entity and other Permanent Establishments. However, Excluded Entities are not considered Constituent Entities.

Ultimate Parent Entity

An Ultimate Parent Entity is either:
(a) an Entity that holds a Controlling Interest in another Entity and is not itself controlled by another Entity, or
(b) the Main Entity of a Group.

Excluded Entity

An Excluded Entity includes Governmental Entities, International Organisations, Non-profits, Pension Funds, Investment Funds, and Real Estate Investment Vehicles that are Ultimate Parent Entities.

Additionally, an Entity is excluded if:

- At least 95% of its value is owned by one or more Excluded Entities (excluding Pension Services Entities) and it primarily holds assets, invests funds, or performs ancillary activities for the Excluded Entities.
- At least 85% of its value is owned by one or more Excluded Entities (excluding Pension Services Entities) and most of its income consists of Excluded Dividends or Excluded Equity Gains or Losses under Pillar Two rules.

A Filing Constituent Entity may elect not to treat an

Entity as an Excluded Entity, with the election valid for five years.

Permanent Establishments of Excluded Entities

If a Main Entity is an Excluded Entity, its Permanent Establishments will also be treated as Excluded Entities. The activities of these Permanent Establishments are considered when determining whether the Main Entity qualifies as an Excluded Entity. If the Main Entity meets the criteria, its Permanent Establishments automatically qualify as Excluded Entities.

Entitles held by Non-profit Organisations

An Entity qualifies as an Excluded Entity if it meets the following conditions: (a) It is 100% owned, directly or indirectly, by one or more Non-Profit Organisations.
(b) The Group's total revenue, excluding revenue from Non-Profit Organisations and Excluded Entities, is below EUR 750 million.
(c) The combined revenue of the Entity and other non-Excluded, non-Non-Profit Entities is less than 25% of the MNE Group's total revenue.

Financial Accounts for the Determination of the Pillar Two Income or Loss

The Pillar Two Income or Loss of a Constituent Entity is its Financial Accounting Net Income or Loss for the Fiscal Year, determined based on its standalone financial statements prepared under IFRS if:

(a) All UAE-based Constituent Entities prepare standalone financial statements.
(b) These financial statements follow IFRS.
(c) Their financial year aligns with the Ultimate Parent Entity's Consolidated Financial Statements.
If these conditions are not met, the net income or loss is based on the Ultimate Parent Entity's Consolidated Financial Statements, excluding:

- Intragroup transaction adjustments.
- Purchase price allocation adjustments from business combinations (unless acquired before December 1, 2021, and sufficient records are unavailable).
- Other adjustments, unless they can be reliably traced to the Entity.

If it is impractical to determine net income or loss using the Ultimate Parent Entity's accounting standard, another Acceptable or Authorised Financial Accounting Standard may be used if: (a) The Constituent Entity's financial accounts follow that standard.
(b) The financial data is reliable.
(c) Permanent differences exceeding EUR 1 million are adjusted to align with the Parent Entity's accounting standard.

These provisions apply separately to:
- Joint Ventures and JV Subsidiaries in a Domestic JV Group.
- Reverse Hybrid Entities created under UAE law.

International Shipping Income exclusion

For MNE Groups with International Shipping Income, a Constituent Entity's International Shipping Income and Qualified Ancillary International Shipping Income are excluded from its Pillar Two Income or Loss in its jurisdiction. If these activities result in a loss, it is also excluded from the computation.

International Shipping Income means the net income obtained by a Constituent Entity from: (a) the transportation of passengers or cargo by ships that it operates in international traffic, whether the ship is owned, leased or otherwise at the disposal of the Constituent Entity; (b) the transportation of passengers or cargo by ships operated in international traffic under slotchartering arrangements; (c) leasing a ship, to be used for the transportation of passengers or cargo in international traffic, on charter fully equipped, crewed and supplied; (d) leasing a ship on a bare boat charter basis, for the use of transportation of passengers or cargo in international traffic, to another Constituent Entity; (e) the participation in a pool, a joint business or an international operating agency for the transportation of passengers or cargo by ships in international traffic; and (f) the sale of a ship used for the transportation of passengers or cargo in international traffic provided that the ship has been held for use by the Constituent Entity for a minimum of one year. International Shipping Income shall not include net income obtained from the transportation of passengers or cargo by ships via inland waterways within the same Jurisdiction.

Qualified Ancillary International Shipping Income refers to net income from activities supporting international shipping, including: (a) bare boat charter leasing (≤3 years) to non-group shipping enterprises, (b) ticket sales for domestic legs of international voyages, (c) container leasing, storage, and detention charges, (d) services to shipping enterprises (e.g., engineering, maintenance, cargo handling, catering, customer service), and (e) investment income integral to operating ships in international traffic.

Adjusted Covered Taxes:

The Adjusted Covered Taxes of a Constituent Entity for the Fiscal Year shall be equal to the current tax expense accrued in its Financial Accounting Net Income or Loss with respect to Covered Taxes for the Fiscal Year adjusted by: (a) the net amount of its Additions to Covered Taxes for the Fiscal Year and Reductions to Covered Taxes for the Fiscal Year; (b) the Total Deferred Tax Adjustment Amount; and (c) any increase or decrease in Covered Taxes recorded in equity or Other Comprehensive Income relating to amounts included in the computation of Pillar Two Income or Loss that will be subject to tax under local tax rules.

The Additions to Covered Taxes of a Constituent Entity for the Fiscal Year is the sum of: (a) any amount of Covered Taxes accrued as an expense in the profit before taxation in the financial accounts; (b) any amount of Pilar Two Loss Deferred Tax Asset; (c) any amount of Covered Taxes that is paid in the Fiscal Year and that relates to an uncertain tax position where that amount has been treated for a previous Fiscal Year as a Reduction to Covered Taxes; and (d) any amount of credit, refund or the transferable amount in respect of a Qualified Refundable Tax Credit or of a Marketable Transferable Tax Credit that is recorded as a reduction to the current tax expense.

Reductions to Covered Taxes for a Constituent Entity in a Fiscal Year include: (a) current tax expense on income excluded from Pillar Two Income or Loss, (b) credits, refunds, or transferable amounts not reducing current tax expense and not from Qualified or Marketable Transferable Tax Credits, (c) refunded, credited, or transferred tax amounts not adjusted in financial accounts, unless from Qualified or Marketable Transferable Tax Credits, (d) current tax expense related to uncertain tax positions, and (e) current tax expense unpaid within three years.

No amount of Covered Taxes may be taken into account more than once.

In a Fiscal Year in which there is no Net Pillar Two Income in the UAE, if the Adjusted Covered Taxes for the UAE are less than zero and less than the Expected Adjusted Covered Taxes Amount, the Constituent Entities located in the UAE shall be treated as having Additional Current Top-up Tax in the UAE arising in the current Fiscal Year equal to the difference between these amounts. The Expected Adjusted Covered Taxes Amount is equal to the Pillar Two Income or Loss for the UAE multiplied by the Minimum Rate.

Sovereign Wealth Funds

A sovereign wealth fund classified as a Governmental Entity is not an Ultimate Parent Entity. However, if it holds a direct Controlling Interest in an Entity, that Entity will be considered the Ultimate Parent Entity if it:

(a) owns a Controlling Interest in another Entity, or
(b) is a Main Entity in one Jurisdiction with Permanent Establishments in other Jurisdictions, provided it is not part of another Group.

A Group consists of the Ultimate Parent Entity, its Entities, and Permanent Establishments, including Entities excluded from Consolidated Financial Statements only due to size, materiality, or being held for sale.

The Pillar Two Loss Election:

In lieu of applying the rules set forth above, a Filing Constituent Entity may make a Pillar Two Loss Election for the UAE. When a Pillar Two Loss Election is made for the UAE, a Pillar Two Loss Deferred Tax Asset is established in each Fiscal Year in which there is a Net Pillar Two Loss for the UAE. The Pillar Two Loss Deferred Tax Asset is equal to the Net Pillar Two Loss in a Fiscal Year for the UAE multiplied by the Minimum Rate.

The balance of the Pillar Two Loss Deferred Tax Asset is carried forward to subsequent Fiscal Years, reduced by the amount of Pillar Two loss Deferred Tax Asset used in a Fiscal Year.

The Pillar Two Loss Deferred Tax Asset must be used in any subsequent Fiscal Year in which there is Net Pillar Two Income in the UAE in an amount equal to the lower of the Net Pillar Two Income multiplied by the Minimum Rate or the amount of available Pillar Two loss Deferred Tax Asset.

If the Pillar Two Loss Election is subsequently revoked, any remaining Pillar Two Loss Deferred Tax Asset is reduced to zero, effective as of the first day of the first Fiscal Year in which the Pillar Two Loss Election is no longer applicable. Subsequently, the deferred tax assets and liabilities for each Constituent Entity in the UAE, if any, will be taken into account as if they had been calculated for the prior Fiscal Year.

The Pillar Two loss Election must be filed with the first Pillar Two Information Return of the MNE Group or with the first Top-up Tax Return of the MNE Group, whichever is filed earlier, or with both if they are required to be submitted for the first Fiscal Year in which the MNE Group has a Constituent Entity located in the Jurisdiction.

A Flow-through Entity that is a UPE of an MNE Group may make a Pillar Two Loss Election under this Article. When such an election is made, the Pillar Two Loss Deferred Tax Asset shall be calculated in accordance with the above provisions, however, the Pillar Two loss Deferred Tax Asset shall be calculated with reference to the Pillar Two Loss of the Flow-through Entity after reduction in accordance with relevant provisions of this article.

Determination of Effective Tax Rate

The Effective Tax Rate of the MNE Group with Net Pillar Two Income shall be calculated for each Fiscal Year. The Effective Tax Rate of the MNE Group is equal to the sum of the Adjusted Covered Taxes of each Constituent Entity located in the UAE divided by the Net Pillar Two Income of the UAE for the Fiscal Year. Each Stateless Constituent Entity subject to the provisions of this Decision shall be treated as if it was single Constituent Entity located in the UAE.

The Net Pillar Two Income of the UAE for a Fiscal Year is the positive amount, if any, computed in accordance with the following formula:

Net Pillar Two Income = Pillar Two Income of all Constituent Entities - Pillar Two losses of all Constituent Entities

Where: (a) the Pillar Two Income of all Constituent Entities is the sum of the Pillar Two Income of all Constituent Entities located in the UAE determined for the Fiscal Year; and (b) the Pillar Two Losses of all Constituent Entities is the sum of the Pillar Two Losses of all Constituent Entities located in the UAE determined for the Fiscal Year.

Adjusted Covered Taxes and Pillar Two Income or Loss of Constituent Entities that are Investment Entities are excluded from the determination of the Effective Tax Rate and the determination of Net Pillar Two Income.

Top-up Tax

The Top-up Tax Percentage for a Fiscal Year shall be the positive percentage point difference, if any, computed in accordance with the following formula:

Top up tax percentage = Minimum Rate - Effective Tax Rate

Where the Effective Tax Rate is the Effective Tax Rate determined for the Fiscal Year.

The Excess Profit for the Fiscal Year is the positive amount, if any, computed in accordance with the following formula:
Excess Profit = Net Pillar Two Income - Substance based Income Exclusion
Where: (a) The Net Pillar Two Income is the Net Pillar Two Income of the UAE determined for the Fiscal Year; and (b) The Substance-based Income Exclusion is the Substance-based Income Exclusion determined for the UAE for the Fiscal Year (if any).

The Top-up Tax for a Fiscal Year is equal to the positive amount, if any, computed in accordance with the following formula:
Top-up Tax = (Top-up Tax Percentage x Excess Profit)+ Additional Current Top-up Tax
Where: (a) The Top-up Tax Percentage is the percentage point difference for the Fiscal Year; (b) The Excess Profit is the Excess Profit determined for the Fiscal Year; and (c) The Additional Current Top-up Taxis the amount determined or treated as Additional Current Top-up Tax for the Fiscal Year.

Unless a Domestic Designated Filing Entity has been appointed to pay the Top-up Tax, the Top-up Tax of a Constituent Entity shall be determined for each Constituent Entity located in the UAE that has Pillar Two Income determined for the Fiscal Year included in the computation of Net Pillar Two Income of the UAE in accordance with the following formula:

Top up Tax of a Constituent Entity = Top up tax * Pillar Two Income of the Constituent Entity/ Aggregate Pillar Two Income of all Constituent Entities

Where a Domestic Designated Filing Entity has not been appointed to pay the Top-up Tax, the Top up Tax is attributable to a recalculation and there is no Net Pillar Two Income in the UAE for the current Fiscal Year, the Top-up Tax shall be allocated based on the Pillar Two Income of the Constituent Entities in the Fiscal Years for which the recalculations were performed.

Substance-based Income Exclusion

The Net Pillar Two Income for the UAE is reduced by the Substance-based Income Exclusion to determine Excess

Profit for Top-up Tax calculation. A Filing Constituent Entity of an MNE Group can elect annually to opt out of the Substance-based Income Exclusion by not computing or claiming it in the Top-up Tax Return for the fiscal year.

Additional Current Top-up Tax

If the Effective Tax Rate and Top-up Tax for a prior Fiscal Year is required or permitted to be recalculated pursuant to an Effective Tax Rate Adjustment Article, (a) the Effective Tax Rate and Top-up Tax for the prior Fiscal Year shall be recalculated after taking into account the adjustments to Adjusted Covered Taxes and Pillar Two Income or Loss required by the relevant Effective Tax Rate Adjustment Article; and (b) any amount of incremental Top-up Tax resulting from such recalculation shall be treated as Additional Current Top-up Tax arising in the current Fiscal Year.

If there is an Additional Current Top-up Tax, the Pillar Two Income of each Constituent Entity located in the UAE shall be equal to the result of the Top-up Tax allocated to such Entity under this Article divided by the Minimum Rate. The amount of Additional Current Top-up Tax allocated to each Constituent Entity for purposes of this Article shall be allocated only to Constituent Entities that record an Adjusted Covered Taxes amount that is less than zero and less than the Pillar Two Income or Loss of such Constituent Entity multiplied by the Minimum Rate. The allocation shall be made pro-rata based upon the following amount for each of those Constituent Entities:

(Pillar Two Income or toss x Minimum Hate) - Adjusted Covered Taxes

At the election of the Filing Constituent Entity, the Top-up Tax for the Constituent Entities located in the UAE shall be deemed to be zero for a Fiscal Year if, for such Fiscal Year: (a) the Average Pillar Two Revenue is less than EUR 10 million; and (b) the Average Pillar Two Income or Loss is a loss or is less than EUR 1 million. The election under this Article is an Annual Election.

The Average Pillar Two Revenue (or Pillar Two Income or Loss) is the average of the Pillar Two Revenue (or Pillar Two Income or Loss) for the current and the two preceding Fiscal Years. If there were no Constituent Entities with Pillar Two Revenue or Pillar Two Losses in the first or second preceding Fiscal Year, such year or years shall be excluded from the calculation of the Average Pillar Two Revenue and the Average Pillar Two Income or Loss.

An election under this provision shall not apply to a Constituent Entity that is a Stateless Constituent Entity subject to the provisions of this Decision and the revenue and Pillar Two Income or Loss of a Stateless Constituent Entity and of an Investment Entity shall be excluded from the computations.

Minority-Owned Constituent Entitles

The computation of the Effective Tax Rate and Top-up Tax for the UAE, and with respect to members of a Minority-Owned Subgroup shall apply as if they were a separate MNE Group. The Adjusted Covered Taxes and Pillar Two Income or Loss of members of a Minority-Owned Subgroup are excluded from the determination of the remainder of the MNE Group's Effective Tax and Net Pillar Two Income.

The Effective Tax Rate and Top-up Tax of a Minority-Owned Constituent Entity that is not a member of a Minority-Owned Subgroup is computed on an entity basis. The Adjusted Covered Taxes and Pillar Two Income or Loss of the Minority. Owned Constituent Entity are excluded from the determination of the remainder of the MNE Group's Effective Tax Rate and Net Pillar Two Income.

Ultimate Parent Entity subject to Deductible Dividend Regime

To the extent that a Deductible Dividend Regime is allowed under the Federal Decree-Law No. 47 of 2022, for purposes of computing its Pillar Two Income or Loss for a Fiscal year, an Ultimate Parent Entity that is subject to a Deductible Dividend Regime shall reduce (but not below zero) its Pillar Two Income for such Fiscal Year by the amount that is distributed as a Deductible Dividend within 12 months of the end of the Fiscal Year if: (a) the dividend is subject to tax in the hands of the dividend recipient for a taxable period that ends within 12 months of the end of the Ultimate Parent Entity's Fiscal Year, and: (i) the dividend recipient is subject to tax on such dividend at a nominal rate that equals or exceeds the Minimum Rate; (ii) it can be reasonably expected that the aggregate amount of Covered Taxes paid by the Ultimate Parent Entity and Taxes paid by the dividend recipient on the dividend income equals or exceeds the amount that results from multiplying the full amount of such income by the Minimum Rate; or (iii) the dividend recipient is a natural person and the dividend is a patronage dividend from a supply Cooperative; or (b) the dividend recipient is a natural person that: (i) is a tax resident in the UAE; and (ii) holds Ownership Interests that, in the aggregate, are a right to 5% or less of the profits and assets of the Ultimate Parent Entity. (c) the dividend recipient is resident in the UPE Jurisdiction and is: (i) a Governmental Entity, (ii) an International Organisation, (iii) a Non-profit Organisation or (iv) a Pension Fund that is not a Pension Services Entity.

An Ultimate Parent Entity that reduces its Pillar Two Income shall reduce its Covered Taxes (other than the Taxes for which the dividend deduction was allowed, including taxes that are based on corporate equity or retained earnings) proportionally and shall reduce its Pillar Two Income by the same amount.

If the Ultimate Parent Entity holds an Ownership Interest in another Constituent Entity subject to the Deductible Dividend Regime (directly or through a chain of such Constituent Entities), the above provisions shall apply to each other Constituent Entity in the UPE Jurisdiction that is subject to the Deductible Dividend Regime to the extent that its Pillar Two Income is further distributed by the Ultimate Parent Entity to recipients.

Patronage dividends received by a person who is not a natural person from a supply Cooperative are subject to tax to the extent they reduce an expense or cost that is deductible in the computation of the recipient's taxable income.

Tax Attributes Upon Transition

When determining the Effective Tax Rate for the UAE in a Transition Year, and for each subsequent year, the MNE Group shall take into account all of the deferred tax assets and deferred tax liabilities reflected or disclosed in the financial accounts of all of the Constituent Entities in the UAE for the Transition Year. Such deferred tax assets and liabilities must be taken into account at the lower of the Minimum Rate or the applicable domestic tax rate. A deferred tax asset that has been recorded at a rate lower than the Minimum Rate may be taken into account at the Minimum Rate if the taxpayer can demonstrate that the deferred tax asset is attributable to a Pillar Two Loss. For purposes of applying this Article, the impact of any valuation adjustment, or accounting recognition adjustment with respect to a deferred tax asset is disregarded.

4 OTHER TAX UPDATES

4.1 GCC Updates – January 2025

BAHRAIN

• **Tax Objections Committee appointed:** The Minister of Finance and National Economy, H.E. Shaikh Salman bin Khalifa Al Khalifa, issued a resolution appointing the Tax Objections Committee for the purpose of the Bahrain Domestic Minimum Top-Up Tax (DMTT) Law.

• **DMTT:** Many in-scope MNE groups with Bahrain operations were able to submit their DMTT registration applications successfully within the deadline of 30 January. Their applications are currently being reviewed by the NBR, and applicants must monitor any further information or clarification requests from the NBR in relation to their applications. MNE groups that have not been able to submit their DMTT registration application within the deadline should do so immediately to minimize the risk of penalties to the extent possible.

QATAR

• **Tax treaty update**: The Norwegian Council of State approved the amending protocol to update the 'Norway - Qatar Income Tax Treaty (2009)'.

OMAN

• **Oman approves draft law on personal income tax:** The State Council and Majlis Al Shura approved the draft law on personal income tax with recommendations for some articles.

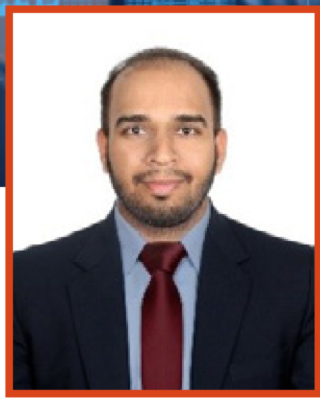
• Oman and India signed an amending protocol to update the 'India - Oman Income Tax Treaty (1997)', in Muscat.

• The Iraqi Council of Ministers authorized the negotiation of an income and capital tax treaty with Oman.

KINGDOM OF SAUDI ARABIA

• ZATCA has recently issued a circular outlining the criteria for selection of taxpayers for the 20th wave of implementation of the e-invoicing integration phase. Taxpayers with taxable revenues exceeding SAR 1.5 million during 2022 or 2023 will be covered under the 20th wave. Such taxpayers will be required to integrate their e-invoicing solutions with the FATOORA platform from 1 November 2025.

5.1 Key Compliance Requirements for Establishments in KSA



CA Devang Mehta

Many UAE entities maintain establishments in the Kingdom of Saudi Arabia (KSA). In this article, I will outline the key compliance requirements commonly applicable to KSA entities:

Sr. No	Compliances	Compliance Periods	Due Periods
1	Monthly GOSI returns (Local and Expat). Require to match with Payroll and ensure any difference gets addressed. GOSI paid monthly.	Monthly	Monthly by 15th of subsequent Month.
2	Withholding Tax returns and its payment	Monthly & Consolidated Annual Return	Monthly by 15th of subsequent Month. Annual after FYE
3	Audited Financial Statements	Annual	Preferably Within 90 days from the FY End Date.
4	Audited Financial Statements upload to Qawaem portal (Filing for MISA/ Qaweem)	Annual	With in 120 days from the FY End Date.
5	ZATCA - Corporate ZAKAT and Tax Return	Annual	With in 120 days of the FY End date.
6	Certified Zakat and Tax Return	Annual	With in 120 days of the FY End date.
7	Provide Transfer Pricing reports that is furnished for certification of TP, if any required.	Annual	Available for Annual Tax return filing and Certification.
8	Transfer Pricing Certified Disclosure form of controlled Transactions (DFCT) to be filed along with the Zakat and Tax Return	Annual	Available for Annual Tax return filing and Certification.

Sr. No	Compliances	Compliance Periods	Due Periods
9	Benchmarking Report (Covering all items with related parties/ entities under same control	Annual	Available for Annual Tax return filing and Certification.
10	Local File	Annual	Available for Annual Tax return filing and Certification.
11	Master File	Annual	Available for Annual Tax return filing and Certification.
12	Country by Country Reporting (if your entity is part of a multinational with consolidated revenue more than SAR 3.2Billion (If Applicable)	Annual	Available for Annual Tax return filing and Certification.
13	TP Audit Certification to be certified on ZATCA portal part of Zakat and Tax Return filing including any TP margin adjustment required	Annual	With in 120 days of the FY End date.
14	Actuarial Report for End of Service Benefit	Annual	Before Audited FS due date
15	Preparation of the Tax FA Register consisting of Tax Fixed Assets (FA) and depreciation FA back up required for Tax depreciation and calculating the adjustments between financial book and Tax depreciation.	Annual	With in 120 days of the FY End date.
16	Prepare and Issue Reconciliation report GOSI vs. Tax Return	Annual	With in 120 days of the FY End date.
17	All accounting and book-Keeping requirements as required per KSA commercial and tax laws and its regulations including the Arabic books requirement.	Minimum Quarterly and Annual	Monthly, Quarterly, Annual FS. Books available for Annual Audit.
18	E-Invoicing Requirement Phase one (All VAT Taxpayers excluding Non- Resident) Phase 2 (Integration Phase)	Applicable from 4-12-2021 Depends on the Annual Turnover limits	Applicable from day one of VAT registration Depends on Turnover criteria

6. INVITATION TO WRITE ARTICLES FROM MEMBERS

Dear Members,

We invite contributions from Chartered Accountants who are members of the Chapter to share insightful articles on Corporate Tax, Value Added Tax and Excise Tax matters for our newsletter.

Please submit your articles by clicking on the link **https://icaidubai.org/articles**

Kindly adhere to the following guidelines:

Intellectual Property Responsibility: The articles/ writeups/ views shared are from your own research and you should take full responsibility that it does not breach any copyright, patent or any other IP or any other types of rights.

Content Guidelines: The article should not contain any objectionable contents including but not limited to such as taboo topics like religion, politics, culture and sex.

Editorial Modification: The author should not have an objection if the Managing Committee makes any changes to the shared articles/ writeups/ views to make it fit for the purpose of inclusion in the Journal/ Newsletter/ Publication of the ICAI Dubai Chapter.

Author Attribution: The articles/ writeups/ view is selected for publication, only the author name with photo will be published in the Newsletter/ Journal/ Publication in which its being published.

Publication Decision: The submission of articles/ writeups/ views does not create an/any obligation on/to the Managing Committee of the ICAI Dubai Chapter to publish it or to make it as part of their any publication. The decision of the Managing Committee will be final and binding on the author.

Submission Deadline: Submit the complete article with relevant information by the 25th of the month to be considered for publication in the upcoming newsletters.

We look forward to receiving your contributions, which will enrich our newsletter with valuable insights and updates. Please use the above mentioned link for submitting your article. For any clarifications please contact below persons,

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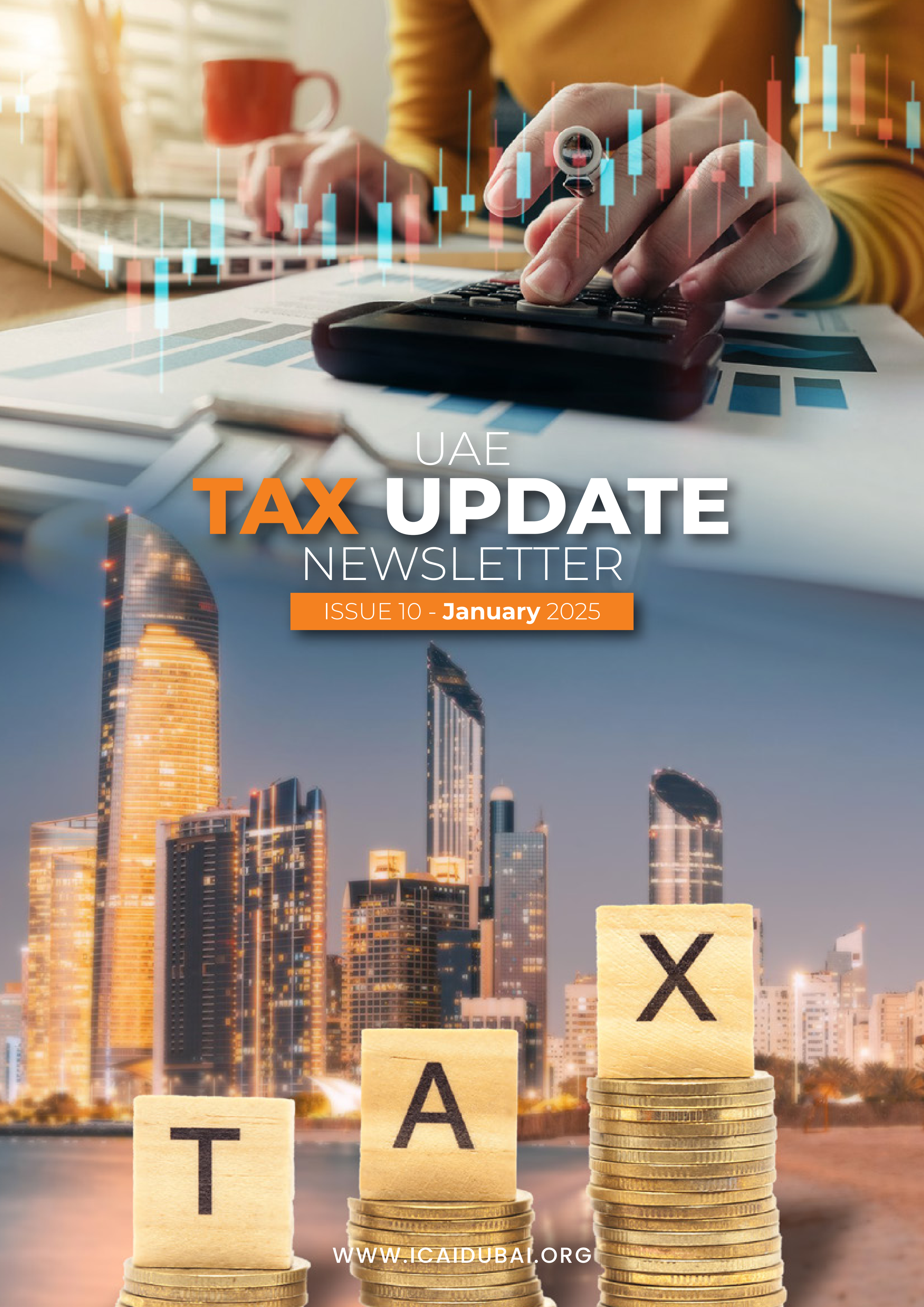

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