



**“SEEDS OF CHANGE,
SEASONS OF GROWTH”**



**“WE STRIVE AND SHARE
SUCCESS TOGETHER”**

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CA Vijaya MOHAN
Managing Partner & CEO

Dear Readers,

MESSAGE FROM THE MANAGING PARTNER

In nature, every season of growth begins with seeds that take root long before they are seen. The Moso bamboo, grown in Japan, stands as a powerful example of this quiet yet profound transformation.

For nearly four years after it is planted, nothing remarkable appears above the soil. Yet, the farmer persists—watering and nurturing it through changing seasons, despite the absence of visible progress. To the untrained eye, the effort may seem futile; to those who understand, it reflects the very nature of growth. Then, in its fifth year, the bamboo rises—soaring to nearly ninety feet in a matter of weeks. What appears sudden is, in truth, the result of years of unseen preparation. Beneath the surface, a

vast root system has been forming—strong enough to sustain the extraordinary growth that follows. The transformation was never abrupt; it was simply invisible.

This rhythm of unseen preparation is not confined to nature. In life and profession, the most critical phases of progress are often neither visible nor immediately measurable—they unfold quietly, in thought, discipline, and intent. Before competence is recognised, it is built through effort that goes unnoticed. Before judgment appears effortless, it is shaped over seasons of learning. Before trust is given, it is earned through quiet consistency.

In professional life, progress rarely reveals itself at the point of achievement, but in the preparation that precedes it—in the diligence when no one asks for, in the virtues upheld when no one is questioning, in the choices made when the easier path is within reach. These are the true seasons of growth, it may be gradual and understated, yet essential. They may not seek visibility, but they build strength.

At **Evas Constantin**, we believe that meaningful progress is shaped less by what is visible and more by what is consistently pursued. The most important changes are often the least apparent, which has taken form through persistence and disciplined effort. Progress is rarely immediate. It is built over time, through a commitment to higher standards, even when outcomes are not yet evident. What may appear as stillness is often a phase of preparation—where capabilities are refined, judgment is strengthened, and trust begins to take root.

Our journey reflects this belief—steady, deliberate, and grounded in intent. In relationships nurtured over time, in standards raised before they are required, in trust earned through consistency.

We persist with purpose, pursue excellence with discipline, and embrace change—even when it is not immediately seen. Because in every season of growth, what matters most is not what is visible, but what is quietly taking root.

IN THIS EDITION

Moving into Q2 2026 with Focus, Innovation, and Purpose

Guided by the belief that lasting excellence is built in the quiet moments of preparation, rather than the visible moments of achievement, we present this edition as a reflection of work that values depth over speed. Like the bamboo farmer who nurtures invisible roots with patience and consistency, we commit ourselves to strengthening expertise, sharpening judgment, and laying groundwork that will sustain the growth still to emerge.

Against this backdrop, we have curated a set of articles that reflect both the evolving technical landscape and the enduring principles that guide responsible practice:

- **IFRS 10 – Consolidated Financial Statements**

IFRS 10 mandates consolidated financial statements to present a group as a single economic entity. This edition provides an end-to-end consolidation process and simplifies the standard into a clear, structured, and practical approach.

- **ISA 600 (Revised) – Audits of Group Financial Statements**

Discover how the revised ISA 600 governs group audits with component auditors, simplifying that while work may span geographies, responsibility for the opinion remains with the group auditor.

- **Corporate Tax – FTA Audit Readiness**

As organizations shift focus from basic compliance to Corporate Tax audit readiness, this edition explores FTA audit triggers, the Authority’s inspection powers, and how businesses can strengthen their position through private clarifications, Advance Pricing Arrangements, and robust documentation.

- **E-Invoicing Updates: Key Changes You Should Know**

Explore the February 2026 Ministry of Finance guidelines clarifying e-invoicing scope, TIN registration, exclusions, and a practical checklist to help UAE businesses smoothly implement e-invoicing.

- **VAT – Change in the Administrative Penalties.**

Cabinet Decision No. 129 of 2025 amends the UAE VAT penalty regime, effective 14 April 2026. This edition provides a detailed comparison and analysis of penalties before and after 14 April 2026.

- **Rising Strong – “UAE on the rise: Growth beyond boundaries”**

Each article serves not only as a source of knowledge but as an invitation to deeper reflection, thoughtful preparation, and sustain professional development in an environment of constant evolution.

We hope these pages enrich your thinking and illuminate many of the days ahead. Above all, we extend our deepest gratitude to those who contributed their time, insight, and expertise to this edition. To our readers, thank you for sustaining the curiosity that gives this work its purpose.

Here’s to nurturing the roots that cannot yet be seen, embracing the patient work of preparation, trusting in the strength being built beneath the surface, and remaining steadfast in our craft even when progress feels invisible.

Happy Reading!

IFRS 10 - Consolidated Financial Statements

Introduction

From a simple perspective, consolidated financial statements answer one key question:
"How is the entire group performing as one business?"

Large companies often operate through multiple subsidiaries. Looking at each company separately can be misleading. Investors, lenders, and regulators want a complete picture of the group's financial strength, risks, and profitability.

Consolidation combines all entities into one single financial statement, making decision-making easier and more reliable.

Objective

Under IFRS 10 Consolidated Financial Statements, the objective is:

- To present the **group as a single economic entity**
- To reflect only **external transactions**
- To provide a **true and fair view** of financial position and performance

How to prepare consolidated financial statements

Steps Overview:

1. Check control
2. Identify acquisition date
3. Calculate goodwill
4. Compute Non-Controlling Interest (NCI)
5. Eliminate investment vs equity
6. Split profits (pre/post)
7. Adjust group reserves
8. Eliminate intra-group transactions
9. Adjust Unrealized profit (URP) & fair value (FV) depreciation
10. Prepare consolidated financial statements

DETAILED EXPLANATION OF EACH STEP

1 Check Control

- ▶ When a parent entity controls one or more subsidiaries, such control is established when the investor has power over the investee, is exposed to variable returns, and has the ability to use its power to affect those returns (IFRS 3 – Business Combination).

- ▶ In practice, determining control requires a detailed assessment of voting rights (including potential voting rights), board composition, decision-making authority, contractual arrangements such as shareholder agreements, and special situations like structured entities or de facto control where ownership is less than 50% but effective control exists. It is also important to distinguish between substantive rights, which provide control, and protective rights, which merely safeguard interests. Additionally, evaluating whether a decision-maker acts as a principal or an agent is crucial, as only a principal is considered to have control.
- ▶ The scope of consolidation includes all entities controlled by the parent, requiring full consolidation of 100% of the subsidiary's assets, liabilities, income, and expenses, with the portion attributable to other shareholders presented as non-controlling interest.

2 Identify Acquisition Date

- ▶ The preparation of consolidated financial statements begins with identifying the acquisition date, which is the date on which control is obtained, rather than simply the legal closing date.
- ▶ It involves assessing when the investor gains the ability to direct relevant activities, appoint key management, control strategic decisions, and access economic benefits.
- ▶ This date is critical because it determines the starting point of consolidation, the fair value measurement of net assets, and the distinction between pre-acquisition and post-acquisition profits.
- ▶ For example, if shares are legally transferred on 1 January but control over operations and board decisions is obtained on 15 January, then 15 January is considered the acquisition date.

3 Calculate Goodwill

- ▶ Once the acquisition date is established, goodwill is calculated in accordance with IFRS 3 Business Combinations as the excess of consideration transferred, non-controlling interest, and any previously held interest over the fair value of identifiable net assets acquired.
- ▶ This process requires incorporating fair value adjustments such as revaluation of property, plant, and equipment or recognition of intangible assets not previously recorded in the subsidiary's financial statements.
- ▶ For example, if a parent acquires 80% of a subsidiary for 1,000, with net assets at fair value of 800 and non-controlling interest of 200, goodwill would be 400. If the difference is negative, the same shall be treated as gain on bargain purchase and shall be recognised in the statement of comprehensive income.

4 Compute Non-Controlling Interest (NCI)

- ▶ NCI is the portion of a subsidiary that is not owned by the parent company. NCI is then computed either at fair value or as a proportionate share of net assets.
- ▶ For instance, if the parent owns 80% and net assets are 1,000, the NCI under the proportionate method would be 200.
- ▶ This amount is subsequently adjusted for the NCI's share of post-acquisition profits and dividends. For example, if post-acquisition profits are 500, the NCI share of 20% would be 100, which increases the NCI balance.

5 Eliminate Investment vs Equity

- ▶ The next critical step is eliminating the parent's investment in the subsidiary against the subsidiary's share capital and pre-acquisition reserves.

- ▶ This ensures that the same net assets are not counted twice and replaces the investment with actual underlying assets, goodwill, and NCI.

6 Split Profits (Pre/Post)

- ▶ Profits of the subsidiary are split into pre-acquisition and post-acquisition components. Pre-acquisition profits form part of net assets at acquisition and impact goodwill, while post-acquisition profits are allocated between the parent and NCI.
- ▶ For example, if retained earnings increase from 200 at acquisition to 500 at year-end, the post-acquisition profit is 300, of which 240 belongs to the parent (80%) and 60 to NCI (20%).

7 Adjust Group Reserves

- ▶ Group retained earnings are then adjusted by adding the parent's share of post-acquisition profits and deducting necessary adjustments such as unrealized profits, fair value depreciation, intra-group dividends, and other internal transactions.
- ▶ For example, starting with parent retained earnings of 1,000, adding 240 (share of profits), and deducting 20 (unrealized profit) and 10 (extra depreciation) results in group retained earnings of 1,210.

8 Eliminate Intra-Group Transactions

- ▶ Intra-group transactions must be eliminated entirely to present the group as a single entity. This includes removing intra-group sales, receivables, payables, loans, interest, and dividends.
- ▶ For instance, if goods are sold within the group and remain unsold at year-end, any profit included in inventory must be eliminated. If goods with a profit of 50 have 40% remaining unsold, unrealized profit of 20 must be deducted from inventory and group profits.
- ▶ Similarly, receivables and payables between group entities are offset, and intra-group interest and dividend income are eliminated.

9 Adjust Unrealized profit (URP) & fair value (FV) depreciation

- ▶ Further adjustments are required for unrealized profit and fair value depreciation.
- ▶ Unrealized profit ensures that profits are not overstated when goods remain within the group, while fair value adjustments ensure assets are correctly measured over time.
- ▶ For example, if an asset has a fair value uplift of 50 and a remaining useful life of 5 years, additional depreciation of 10 per year must be recognized, reducing group profits accordingly. These adjustments may also impact NCI depending on whether transactions are upstream or downstream.
- ▶ In downstream transactions, adjustments affect only the parent as profits originate from the parent, whereas in upstream transactions, adjustments are shared between the parent and non-controlling interest since the profits arise from the subsidiary.

10 Prepare Consolidated Financial Statements

- ▶ Finally, consolidated financial statements are prepared through a line-by-line aggregation of the parent and subsidiary financial statements, incorporating all adjustments.

- ▶ The consolidated statement of financial position presents combined assets and liabilities, goodwill, and equity comprising parent share capital, group retained earnings, and NCI.
- ▶ The consolidated statement of profit and loss reflects combined revenues and expenses after eliminating intra-group transactions and adjusting for unrealized profits and fair value changes, with profit allocated between the parent and NCI.
- ▶ Additional statements such as the cash flow statement and statement of changes in equity provide a comprehensive view of the group's financial performance.

Consolidation involves significant judgment, particularly in assessing control, determining acquisition date, measuring fair values, and eliminating intra-group transactions. Errors in these areas can materially impact the financial statements and are therefore key audit focus areas.

FINAL CONCLUSION

Consolidated financial statements transform multiple entities into a single unified financial view of the group by identifying control, determining acquisition date, calculating goodwill and NCI, eliminating intra-group transactions, and adjusting for unrealized profits and fair value changes, thereby ensuring that only real economic activity with external parties is reflected. In the absence of consolidation, financial information becomes fragmented, leading to double-counting, overstated results, and practical difficulties for stakeholders in assessing the true financial position and performance of the group. By presenting the group as a single economic entity, consolidated financial statements enhance transparency, comparability, and reliability, enabling better decision-making, improving accountability, and providing a clear and complete picture of the group's overall financial health.



Corporate Tax – FTA Audit Readiness

With the implementation of Corporate Tax under Federal Decree-Law No. 47 of 2022 ('the Corporate Tax Law'), the United Arab Emirates ('UAE') has entered a new era of tax transparency and regulatory oversight. As businesses complete their initial tax filings, the focus is now gradually shifting from compliance to audit readiness.

A Corporate Tax audit by the Federal Tax Authority ('FTA') is not merely a procedural review—it is a detailed examination of a company's financial records, tax positions, and compliance framework. Therefore, organizations must proactively prepare to ensure that their records, processes, and tax positions can withstand scrutiny.

Understanding Corporate Tax Audit Triggers

None of the entities are outside the radar of FTA audit. Irrespective of the size, nature, volume etc. all entities have an equal chance of getting selected for audit. However, certain patterns and behaviors may increase the likelihood of an audit:

- Repeated losses without adequate commercial justification
- Entities with a history of tax violations or non-compliance
- Significant fluctuations in taxable profits on a year-on-year basis
- Companies reporting high taxable income or revenue
- High proportion of related party expenses
- Businesses that have opted for exemptions or reliefs
- Late submission or frequent amendments of tax returns
- Qualifying Free Zone Persons ('QFZP') claims may trigger FTA substance audits.

While these factors do not automatically result in an audit, they signal areas where the FTA may seek further clarification.

Key Powers of the Federal Tax Authority During a Tax Audit

Understanding the authority of the FTA is essential for effective audit preparedness. The law grants extensive powers to ensure transparency and compliance.

1 Inspection of Records, Premises, and Assets

As per Article 56 of the Corporate Tax Law, businesses must retain all relevant records for seven years following the end of the tax period to support tax filings and determine taxable income.

During an audit, the Federal Tax Authority may inspect premises, review physical and electronic records, assess accounting systems, and request information from both the taxable person and third parties.

Given these extensive powers, maintaining accurate, well-organized, and accessible records is essential to ensure smooth audits and minimize compliance risks.

The Authority shall notify the Person of a Tax Audit, at least (10) ten Business Days prior to the Tax Audit, and the Notification shall set out the possible consequences of obstructing the Tax Auditor in the exercise of his duty

2 Seizure and Retention of Documents and Assets

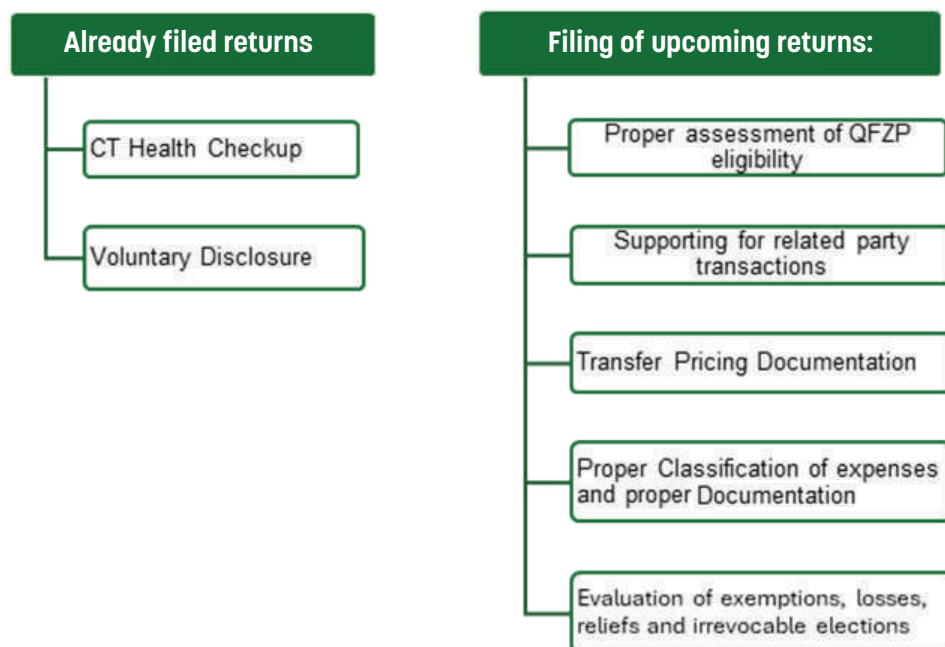
A tax auditor is empowered to take necessary actions to preserve evidence, including copying or marking documents, seizing documents and assets where required, and recording relevant business information. In such cases, the Federal Tax Authority must issue a formal record within 10 business days, outlining the purpose of the seizure, details of the items, storage conditions, and the expected retention period. This highlights the importance of full transparency and cooperation during audits.

3 Temporary Closure of Premises

In certain situations, the Federal Tax Authority may temporarily close business premises for up to 72 hours without prior notice, particularly where there is a risk of audit obstruction, denial of access to auditors, or suspected tax evasion. Although such measures are rare, they highlight the seriousness of compliance obligations. Following the audit, the FTA will notify the outcome in accordance with the prescribed procedures. The taxable person also has the right to access the documents and information relied upon by the FTA in determining the tax assessment, subject to applicable controls.

How Businesses Can Prepare: Key Areas of Focus

Protective Measures



Audit readiness requires a proactive and structured approach. Businesses should review prior-year Corporate Tax filings and perform a comprehensive health check to ensure compliance with the law. Based on this analysis, if any errors are identified that result in a higher tax liability than originally reported, it may be necessary to submit a voluntary disclosure.

Corporate Tax Health Check

A Corporate Tax Health Check is a proactive exercise that may be performed to identify potential risks and gaps in the returns we have already filed. It involves reviewing financial statements to identify non-deductible expenses, validating tax computations and adjustments, and assessing related party transactions for transfer pricing compliance. It also includes evaluating eligibility for exemptions and reliefs, assessing compliance with Free Zone requirements (including QFZP status), reviewing elections made in the first tax return, and analyzing transitional relief positions. Additionally, the process helps identify areas of potential penalties or non-compliance, ensuring that the overall tax position is accurate, defensible, and well-documented.

Voluntary disclosure ('VD'):

Even after filing tax returns, businesses have the opportunity to mitigate risks and correct any errors identified subsequently. Where it is determined that the return submitted was incorrect—resulting in either additional tax payable or a potential refund—a Voluntary Disclosure (VD) should be submitted. While a VD is subject to administrative penalties, these penalties are generally lower if the disclosure is made proactively before the receipt of an audit notification from the FTA. However, in cases where the correction leads to a reduction in tax liability (i.e., excess tax has been paid), the VD should be approached with caution, as such adjustments may increase the likelihood of a Corporate Tax audit.

Filing of upcoming returns:

As businesses prepare for Corporate Tax filings, particular focus should be placed on related party transactions. These must be properly identified, documented, and assessed in line with the arm's length principle, with appropriate benchmarking where required, especially given that high related-party expense ratios are a key audit trigger.

Maintaining robust documentation is equally critical. Accounting records should be complete, accurate, and supported by contracts, invoices, and reconciliations between financial statements and tax returns, as the Federal Tax Authority may review both physical and electronic records during audits.

Corporate Tax compliance should be treated as an ongoing process, with periodic reviews of tax positions, documentation updates, and monitoring of regulatory changes, including eligibility for Qualifying Free Zone Person status. Tools such as Advance Pricing Agreements (APAs) and Private Clarifications can further strengthen audit readiness by reducing uncertainty and demonstrating proactive compliance.

Ultimately, Corporate Tax audit readiness is not just about compliance—it is about building a sustainable, transparent, and resilient tax framework that aligns with regulatory expectations and supports long-term business growth.



E-Invoicing Updates: Key Changes You Should Know



The UAE's e-Invoicing landscape has progressed significantly since the release of the Public Consultation Document on the Data Dictionary in February 2025. More recently, the Ministry of Finance ('MoF') issued comprehensive e-Invoicing guidelines, offering much-needed clarity on the scope and practical implementation of the UAE's Electronic Invoicing regime.

Before delving into the clarifications, a brief overview of the e-Invoicing framework will help provide better context and understanding.

Traditionally, invoicing involves two parties: the supplier (issuer) and the buyer (recipient). Under the e-Invoicing framework, invoices will continue to be generated through the supplier's ERP system. However, instead of being shared directly with the buyer (physically or digitally), invoices will be transmitted via a third-party service provider accredited by the MoF, known as an Accredited Service Provider ('ASP'). These ASPs operate through the PEPPOL network, enabling secure transmission of invoices to both the buyer and the Federal Tax Authority ('FTA').

At present, the content of invoices and credit notes for VAT-registered entities is governed by UAE VAT legislation, whereas no formal guidance exists for non-VAT registrants in this regard. With the introduction of e-Invoicing, both VAT-registered and non-VAT registered entities will be required to issue invoices and credit notes in line with the PINT AE framework, which prescribes the standardized structure and data elements for e-invoices and e-credit notes.

Amid the MoF's ongoing issuance of ministerial decisions, public consultation documents, penalty frameworks, FAQs, and lists of Accredited Service Providers, a key guidance document clarifying the scope and applicability of e-Invoicing was released on 23 February 2026. Set out below are some of the key clarifications:

1 Tax Identification Number ('TIN') Registration Requirement

Earlier guidance suggested that all UAE businesses must implement e-Invoicing regardless of their tax registration status. Entities registered for any of these taxes are already assigned a TIN, reflected as the first 10 digits of their TRN on the EmaraTax portal. The MoF has now clarified that entities not registered for VAT, Corporate Tax, or Excise Tax, but required to implement e-Invoicing, must register with the FTA to obtain a TIN.

2 Transactions involving Natural Persons

E-Invoicing applies to any person conducting business in the UAE. Accordingly, natural persons are required to comply if they are engaged in business activities. Where no business activity exists, e-Invoicing does not apply.

3 Additional Exclusions from Scope

Ministerial Decision No. 243 of 2025 had initially excluded certain business transactions from the scope of e-Invoicing. The recent guidelines provide further clarity by extending exclusions to the following:

- ▶ Passive income earned by investment holding companies (however, any cost recharges by such entities remain within the scope of e-Invoicing)
- ▶ Intra-VAT group transactions, which are excluded for a grace period of 24 months starting 01 January 2027. Accordingly, e-Invoices and e-Credit Notes will become mandatory for such transactions from 1 January 2029.

4 Issuance of Invoices where the recipient is not obligated to implement e-Invoicing

Where a supplier is mandated to implement e-Invoicing but the recipient is not, the MoF has clarified that:

- ▶ The supplier must issue an e-Invoice through a predefined dummy endpoint
- ▶ A regular tax invoice (e.g. in pdf) may still need to be provided to the buyer

5 Clarification on financial services

Ministerial Decision No. 243 of 2025 stated that financial services that are exempt from VAT, or if such exempted services are exported and become subject to VAT at the zero rate, as per Article 42 of the VAT Executive Regulation, are excluded from the scope of e-Invoicing. The MoF has clarified that if a financial service is subject to the standard VAT rate, or if a standard-rated service is exported and becomes zero-rated under Article 31 of the VAT Executive Regulation, such services are included within the scope of e-Invoicing.

6 Supplies involving free trade zone

The MoF has issued 16 use cases covering common business scenarios and VAT applicability, with invoice or credit note elements varying depending on the applicable use case. One such example is Use Case 8, which addresses supplies involving Free Trade Zones. When the Public Consultation Document was released, it lacked clarity on when this use case should be applied. The MoF has now clarified that Use Case 8 applies in the following three scenarios:

- ▶ A supply to (buyer, or beneficiary) or from a party (supplier) established in a Free Zone.
- ▶ A supply of goods within a Free Zone.
- ▶ An export of goods from a Free Zone.

Notably, this use case applies to both designated and non-designated Free Zones.

7 HSN Code Requirement

Currently, the use of HSN codes is optional. The MoF will announce timelines for mandatory implementation in due course.

8 Optional Fields in the PINT AE Framework

While businesses may utilize optional fields already available within the PINT AE framework, they are not permitted to introduce additional optional fields. Any specific requirements must be addressed in coordination with their ASP.

In addition to these clarifications, MoF has issued a practical checklist to help businesses ensure proper implementation. The following comprehensive checklist guides businesses in evaluating, preparing, and confirming their readiness for e-Invoicing and VAT compliance:

- ▶ Review Ministerial Decisions No. 243 and 244 of 2025, the Data Dictionary, administrative penalties under Cabinet Decision No. 106 of 2025, MoF guidelines, FAQs, and related amendments to the VAT Decree-Law, VAT Executive Regulation, and Tax Procedures Law arising from e-Invoicing
- ▶ Identify your ASP appointment and go-live dates in line with the phased implementation plan
- ▶ Realign your VAT processes and reassess the VAT treatment of business transactions, particularly those within the scope of e-Invoicing, to mitigate the risk of disputes, given that 100% of invoices will be reported to the FTA
- ▶ Ensure all required electronic invoice data fields are identified and that your ERP/accounting system can capture them. Conduct a gap analysis to determine relevant invoice categories and data fields and incorporate these into your ERP/accounting systems
- ▶ Select an ASP and finalize contractual and commercial arrangements
- ▶ Register with the FTA and obtain a TIN, if not already done
- ▶ Complete the ASP onboarding process via EmaraTax
- ▶ Agree with your ASP on:
 - Invoice data transmission methods
 - Confirmation message processes
 - Data hosting and security requirements
- ▶ Complete system integration with your ASP to send and receive invoice data
- ▶ Perform end-to-end testing of invoice exchange and reporting
- ▶ Establish a clear governance and error-resolution framework with your ASP
- ▶ Confirm readiness for go-live in line with the rollout plan

The MoF's latest guidance provides greater clarity and a structured roadmap for businesses transitioning to e-Invoicing in the UAE. Successful implementation will require coordination among multiple stakeholders, including businesses, ASPs, tax consultants, and the FTA. Early preparation, system readiness, and expert guidance will be critical to ensure a smooth and compliant transition.





ISA 600 (Revised) – Audits of Group Financial Statements (Including the work of Component Auditors)

As organizations expand across geographies and legal structures, the audit landscape becomes increasingly complex. **ISA 600 – Audits of Group Financial Statements** plays a pivotal role in ensuring that such complexity is addressed with a structured, consistent, and high-quality audit approach.

The Essence of ISA 600

ISA 600 is designed for engagements where multiple auditors are involved—primarily in group audits. It establishes clear principles on how the group auditor should plan, supervise, and evaluate the work performed by component auditors.

A fundamental principle of the standard is that the **group auditor** retains sole responsibility for the audit opinion, irrespective of the extent of reliance placed on **component auditors**.

Understanding Group Structures

A group consists of a parent entity and its components, such as subsidiaries, associates, branches, or divisions. Each component may operate in a different regulatory or economic environment, adding layers of complexity to the audit. This diversity requires the **group auditor to adopt a risk-based and coordinated audit approach**, ensuring all components are appropriately covered.

Role and Responsibilities of the Group Auditor

The group auditor acts as the **strategic leader and integrator** of the audit process. Key responsibilities include:

- Developing the overall group audit strategy and plan
- Identifying and assessing risks of material misstatement at the group level
- Determining the scope of work for each component
- Evaluating the competence and independence of component auditors
- Reviewing and challenging the work performed by component auditors
- Ensuring sufficient and appropriate audit evidence is obtained

Importantly, the group auditor must maintain **professional skepticism** throughout the engagement, especially when relying on work performed by others.

Acceptance & Continuance Considerations

Before accepting or continuing a group audit engagement, the group auditor must assess whether:

- Sufficient appropriate audit evidence can be obtained from all components
- There are any restrictions on access to information or personnel
- The group engagement team can be adequately involved in component audits

If these conditions are not met, it may lead to **scope limitations**, potentially resulting in a modified opinion or withdrawal from the engagement.

Understanding the Group and Its Environment, the Applicable Financial Reporting Framework and the Group's System of Internal Control

In accordance with ISA 315 (Revised 2019) Identifying and Assessing the Risks of Material Misstatement:

- The group auditor must understand the group, its environment, and internal controls to identify risks.
- Understand the group structure, operations, locations, and use of IT.
- Consider the regulatory environment affecting the group.
- Ensure consistency of accounting policies across all entities.
- Evaluate the group's internal control system, including:
 - ▶ Common controls across entities
 - ▶ Centralized financial reporting processes
 - ▶ Consolidation process and adjustments
- Assess how management communicates financial reporting matters within the group.
- This helps the auditor identify risks, plan audit procedures, and ensure reliable consolidated financial statements.

Evaluation of Component Auditors

A critical aspect of ISA 600 is determining whether the work of component auditors can be relied upon.

This involves assessing:

- Independence and ethical compliance
- Professional competence and experience
- Understanding of applicable financial reporting frameworks
- Regulatory oversight in their jurisdiction

Where deficiencies are identified, the group auditor must **increase involvement** or perform additional procedures directly.

Materiality in a Group Context

Materiality is a cornerstone of audit planning under ISA 600:

- **Group materiality** is established for the financial statements as a whole
- **Component materiality** is set at a lower level to mitigate aggregation risk
- **Performance materiality** further reduces the risk of undetected misstatements

Additionally, specific thresholds may be applied to sensitive areas such as related party transactions or management estimates.

Risk Assessment and Audit Approach

The group auditor adopts a top-down, risk-based approach:

- Significant components (financially or risk-wise) require detailed audit procedures or full-scope audits
- Non-significant components may be subject to analytical procedures, supplemented where necessary

Special attention is given to:

- Fraud risks
- Complex transactions
- Areas involving significant judgment

Where reliance is placed on group-wide controls, these controls must be tested for effectiveness.

The Consolidation Process – A Critical Focus Area

The consolidation process is often the most sensitive area in group audits. The group auditor must:

- Verify that all components are accurately included
- Review consolidation adjustments and eliminations
- Ensure uniform accounting policies across the group
- Assess whether there are indicators of management bias or override
- Evaluate the treatment of components with differing reporting periods

Even minor errors at the component level can have a material impact when aggregated, making this step crucial.

Impact of Un-Audited Material Component

When a material component of a group is not audited, it creates a significant limitation in the group audit process. Further,

- The auditor may not be able to verify the accuracy, completeness, and valuation of the financial information included in the consolidated financial statements.
- The inability to perform audit procedures or rely on the work of another auditor increases audit risk and limits the auditor's ability to conclude on the overall financial position and performance of the group.
- The group auditor may need to modify the audit opinion, such as issuing a qualified opinion or a disclaimer of opinion, depending on the significance and pervasiveness of the component.

Subsequent Events and Ongoing Monitoring

The group auditor must ensure that significant events occurring after the reporting period of components are identified and appropriately reflected in the group financial statements. This requires continuous coordination with component auditors up to the date of the audit report.

Communication – The Backbone of Effective Group Audits

Effective communication ensures alignment and audit quality. The group auditor must clearly communicate:

- Scope and objectives of component work
- Identified risks and areas of focus
- Materiality thresholds
- Reporting timelines and expectations

Component auditors are expected to report:

- Misstatements (corrected and uncorrected)
- Internal control deficiencies
- Instances of fraud or non-compliance
- Key judgments and conclusions

Strong communication minimizes gaps and enhances audit reliability.

Communication with Those Charged with Governance of the Group

The group auditor shall communicate the following matters with those charged with governance of the group:

- An overview of the work to be performed at the components of the group
- Instances when the group auditor's review of the work of a component auditor gave rise to a concern about the quality of that component auditor's work
- Fraud or suspected fraud involving group management, component management, employees who have significant roles in the group's system of internal control
- Any limitations on the scope of the group audit

Documentation and Final Evaluation

ISA 600 requires robust documentation to support the group audit opinion. This includes:

- Nature, timing, and extent of involvement with component auditors
- Significant matters discussed and resolved
- Evaluation of audit evidence obtained
- Basis for conclusions reached

The group auditor must ultimately assess whether the audit evidence obtained is sufficient and appropriate to support the opinion.

Conclusion

ISA 600 reinforces a critical message:

While audit execution may be distributed, accountability remains centralized.

A successful group audit demands:

- ▶ Strong leadership from the group auditor
- ▶ Rigorous risk assessment
- ▶ Continuous involvement and oversight
- ▶ Transparent communication
- ▶ Sound professional judgment

As group structures continue to grow in complexity, mastering ISA 600 is not just a technical necessity—it is a professional imperative.

VAT - Change in the Administrative Penalties



Cabinet Decision No. 129 of 2025, issued on 09 October 2025 and effective from 14 April 2026, amends Cabinet Decision No. 40 of 2017 on administrative penalties for violations of VAT laws. For all revised penalties, the table below compares those applicable to violations before and after 14 April 2026. :

1. Failure to keep required records & information specified in law

Prior to 14 April 2026	On/after 14 April 2026
<ul style="list-style-type: none"> • AED 10,000 for the first time • AED 20,000 in case of repetition 	One of the following two penalties shall be imposed: <ul style="list-style-type: none"> • AED 10,000 for each violation • AED 20,000 in each case of repeated violation within 24 months from the date of the last violation

Explanation: Earlier, every violation after the first violation incurred a penalty of AED 20,000. Under the revised rule, a penalty of AED 20,000 will apply only if a violation is repeated within 24 months. If more than 24 months have elapsed between two violations, each violation will be treated independently and will incur a penalty of AED 10,000.

2. The failure of the Person to submit the data, records, and documents related to Tax in Arabic to the Authority when requested

Prior to 14 April 2026	On/after 14 April 2026	Explanation:
<ul style="list-style-type: none"> • AED 20,000 	<ul style="list-style-type: none"> • AED 5,000 	Penalty has been reduced by 75%

3. The failure of the Registrant to inform the Authority of any circumstance that requires the amendment of the information pertaining to its Tax record

Prior to 14 April 2026	On/after 14 April 2026
<ul style="list-style-type: none"> • AED 5,000 for the first time • AED 10,000 in case of repetition 	<ul style="list-style-type: none"> • AED 1,000 for each violation • AED 5,000 in each case of repeated violation within 24 months from the date of the last violation

Explanation: Maximum penalty for a repeated offense now capped at AED 5,000, compared to AED 10,000 earlier. Higher penalty for repeat offenses will apply only if the violation occurs within 24 months of the previous offense.

4. The failure of the Legal Representative (LR) of the Taxable Person to inform the Authority of its appointment as Legal Representative within the specified timeframe

Prior to 14 April 2026	On/after 14 April 2026	Explanation:
<ul style="list-style-type: none"> • AED 10,000 	<ul style="list-style-type: none"> • AED 1,000 	Penalty has been reduced by 90%

5. The failure of the Taxable Person to settle the Payable Tax stated in the submitted Tax Return or Voluntary Disclosure ('VD'), or the Tax Assessment he was notified of, within the timeframe specified in the Tax Law

Prior to 14 April 2026	On/after 14 April 2026
Taxable Person is required to pay a late payment penalty of up to 200% of the unpaid Tax as follows: <ul style="list-style-type: none"> • 2% of the unpaid Tax is due the day following the payment due date • 4% monthly penalty applies thereafter, starting one month from the due date and on the same day each subsequent month 	<ul style="list-style-type: none"> • A monthly penalty of 14% per annum, for each month or part thereof, imposed on the unsettled Payable Tax amount from the day following the due date of payment and on the same date monthly thereafter

Explanation: It has now been simplified to a standard rate of 14% per annum (equivalent to 1.17% per month). Additionally, the penalty structure has been aligned with the provisions of the Corporate Tax Law.

6. The submittal of an incorrect Tax Return by the Registrant

Prior to 14 April 2026	On/after 14 April 2026
<p>Fixed penalty shall be applied:</p> <ul style="list-style-type: none"> • AED 1,000 for the first time • 2,000 in case of repetition <p>As an exception to above penal provisions, if the incorrect Tax Return results in a Tax difference less than the fixed penalty, a penalty equal to the Tax difference of at least AED 500 shall be imposed.</p>	<p>AED 500, unless the Registrant takes one of the following actions:</p> <ul style="list-style-type: none"> • Corrects his Tax Return prior to the due date of submitting the Tax Return • Submits a VD to correct the Tax Return without resulting in a difference in the amount of Due Tax

Explanation: A fixed penalty of AED 500 now applies to all corrections, replacing the earlier range of AED 1,000–2,000. In addition, no penalty will be imposed for filing a VD where there is no tax difference, whereas previously a standard penalty of AED 500 was charged even in such cases.

7. The submittal of a VD by the Taxpayer on errors in the Tax Return, Tax Assessment or refund application pursuant to Article 10(1) and 10(2) of the Tax Procedures Law

Prior to 14 April 2026	On/after 14 April 2026
<p>A penalty is applied on the difference between the Tax calculated and the correct amount of Tax:</p> <ul style="list-style-type: none"> • 5% if the VD is submitted within 1 year from the due date of submission of the tax return, assessment or refund application • 10% if the VD is submitted within 2 Years from the due date • 20% if the VD is submitted within 3 Years from the due date • 30% if the VD is submitted within 4 Years from the due date • 40% if the VD is submitted after 4 Years from the due date 	<ul style="list-style-type: none"> • A monthly penalty of 1% on the Tax Difference, for each month or part thereof, to be applied as of the date following the due date of the Tax Return, or submission of the relevant tax refund application until the date the VD is submitted

Explanation: Earlier, penalties were calculated using a complicated tiered system with different penalty rates applied for each year. This has now been simplified, with a uniform penalty of 1% per month (or part thereof) charged on the outstanding amount.

8. The failure of the Taxpayer to voluntarily disclose an error in the Tax Return, Tax Assessment, or refund application before being notified by the Authority that it will be subject to a Tax Audit

Prior to 14 April 2026	On/after 14 April 2026
<ul style="list-style-type: none"> • 50% penalty on the amount of the error • 4% monthly penalty for every month (or part of a month) on: <ul style="list-style-type: none"> a. Unpaid Tax, from the due date until the date the Tax Assessment is received b. Tax not returned due to ineligible refund, from the refund date until the date the Tax Assessment is received 	<ul style="list-style-type: none"> • A Taxable Person shall be subject to two penalties: <ul style="list-style-type: none"> • Fixed Penalty: 15% of the Tax Difference • Monthly Penalty: 1% per month (or part thereof) on the Tax Difference, calculated as follows: <ul style="list-style-type: none"> a. Where the Taxable Person submits a VD after being notified that it will be subject to a Tax Audit: From the day following the Tax Return due date or refund application submission until the date the VD is submitted b. Where the Taxable Person fails to submit a VD: From the day following the Tax Return due date or refund application submission until the date the Tax Assessment is issued

Explanation: The fixed penalty has been substantially reduced from 50% to 15%, while the monthly penalty has been decreased from 4% to 1%.

9. Failure of the Registrant to calculate tax on behalf of another Person where the Registrant Taxable Person is obliged to do so under the Tax Law

Prior to 14 April 2026	On/after 14 April 2026
<p>A Registrant must pay a late payment penalty of up to 200% of the unpaid Tax:</p> <ul style="list-style-type: none"> • 2% of the unpaid Tax is due the day following the payment due date • 4% monthly penalty applies thereafter, starting one month from the due date and on the same date each subsequent month, on the outstanding Tax 	<ul style="list-style-type: none"> • A monthly penalty of 14% per annum, for each month or part thereof, imposed on the unsettled amount of Payable Tax, from the day following the due date of payment and on the same date monthly thereafter

Explanation: It has now been simplified to a standard rate of 14% per annum (equivalent to 1.17% per month).

Penalties for Certain Non-Compliances Remain Unchanged (Details Below)

Nature of Penalty	Applicable Penalty
<ul style="list-style-type: none"> • Failure of the Taxable Person to submit a registration application within the timeframe 	<ul style="list-style-type: none"> • AED 10,000
<ul style="list-style-type: none"> • Failure of the Registrant to submit a deregistration application within the timeframe 	<ul style="list-style-type: none"> • AED 1,000 in case of delay, and on the same date monthly thereafter, up to a maximum of AED 10,000
<ul style="list-style-type: none"> • Failure of the LR for the Taxable Person to file a Tax Return within the specified timeframe 	<ul style="list-style-type: none"> • AED 1,000 for the first time • AED 2,000 in case of repetition within 24 months
<ul style="list-style-type: none"> • Failure of the Registrant to submit the Tax Return within the timeframe specified in the Tax Law 	<ul style="list-style-type: none"> • AED 1,000 for the first time • AED 2,000 in case of repetition within 24 months
<ul style="list-style-type: none"> • Failure of the Person subject to tax audit, his tax agent, or LR to facilitate the work of the Tax Auditor in violation of the provisions of Article 20 of the Tax Procedures Law 	<ul style="list-style-type: none"> • AED 20,000
<ul style="list-style-type: none"> • Failure of the Person to calculate any tax that may be due on the import of goods as per the Tax Law 	<ul style="list-style-type: none"> • 50% of the unpaid or undeclared Tax.

Conclusion

The amendments introduced under Cabinet Decision No. 129 of 2025 reflect a significant shift in the UAE's VAT penalty framework. While penalties have been reduced and simplified in many cases, especially for procedural errors and voluntary corrections, the system still remains firm on ensuring compliance and cooperation with the tax authority. Overall, the revised rules reflect a shift toward fairness and clarity, making the penalty regime more proportionate while still supporting strong tax discipline.



Rising Strong – “UAE on the rise: Growth beyond boundaries”

The United Arab Emirates (‘the UAE’) continues to distinguish itself as a global example of resilience, vision-led governance, and sustained progress in a rapidly evolving world.

Anchored in a long-term strategy of economic diversification, the UAE has successfully reduced reliance on oil and built strong capabilities across tourism, technology, finance, logistics, real estate and renewable energy. This diversified foundation has helped the nation to remain stable and safeguard its economy against global fluctuations.

Dubai and Abu Dhabi remain at the forefront as leading international hubs, attracting global investors, entrepreneurs, and skilled professionals. Supported by progressive policies, advanced infrastructure, and a business-friendly and highly competitive environment, the UAE has reinforced its standing as a preferred destination for global business and innovation.

The nation’s commitment to innovation and sustainability further supports its growth. Initiatives like the UAE Net Zero 2050 strategy and advancements in artificial intelligence and smart technologies highlight its future-focused approach.

At the same time, the UAE’s balanced diplomacy and strong international partnerships contribute to its stability and confidence, enabling continued progress and collaboration. Its diverse and inclusive society also plays a vital role in fostering creativity, collaboration, and long-term development.

In every sense, the UAE’s journey reflects a nation that continues to move forward with purpose, building bridges across cultures, embracing opportunity, and setting a global benchmark for sustainable development. In essence, the UAE’s journey reflects resilience and adaptability—demonstrating that even in times of uncertainty, growth and progress are achievable with the right vision, adaptability and strong leadership.



Festival & Events Photos

Women's Day celebration @ Evas Constantin

#InternationalWomensDay #HappyWomensDay2026



Celebrating the ICAI Dubai Chapter NPIO Election Results 2026-27

At the EVAS Constantin office.



UAE E-Invoicing Session: "The Clock is Ticking for UAE E-Invoicing"

We were pleased to participate and present at the Taxation Society UAE





To improve is to **change**;
to be perfect is to
change often.

- Winston Churchill-



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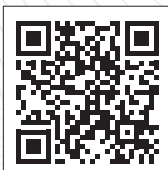
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