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**Our New Office
& ICAI Events**

WE'VE MOVED. NEW OFFICE. SAME COMMITMENT.

We are delighted to announce that we are now operating from our new office at **M01-Latifa Tower, Sheikh Zayed Road.**

We look forward to welcoming you to our new workspace & continuing to serve you with the same commitment & professionalism.

Our commitment, quality, & dedication remain as strong as ever, and we are excited to serve you from our new office.



Dear Readers,

MESSAGE FROM THE MANAGING PARTNER

In the courtyards of old South Indian temples, one often finds a banyan tree that has stood for centuries, its canopy spreading wide enough to shelter an entire gathering beneath it. What is rarely noticed, however, is how it came to stand so firmly. The banyan does not rely on a single trunk to bear its weight. Over years, it sends down slender aerial roots from its branches threads that appear fragile, almost incidental, at first. Left undisturbed, these threads thicken slowly, touch the earth, and over time turn into secondary trunks, until what was once a single stem becomes a structure held up by dozens of pillars, each one sharing the load.

A young banyan can be uprooted by a strong storm. An old one, with its many grounded roots, cannot be toppled by wind alone not because any single root is exceptional, but because no single point of failure remains. Its strength was never about one root growing stronger; it was about more roots being allowed to grow, patiently, until support was no longer dependent on any one of them.

As the management thinker Peter Drucker once observed, “Long-range planning does not deal with future decisions, but with the future of present decisions.” The roots a tree puts down today are, in essence, decisions and preparations for storms it has not yet faced, as well as responses shaped by those it has already endured. This is a quiet lesson for professional life as well. In the early stages of any endeavour, everything rests on a single thread one client, one decision, one relationship, one effort holding it all together.

Real strength comes later, not when that one thread becomes stronger, but when many more threads are allowed to take root alongside it each one tested by time, each one trustworthy enough to bear its share of the weight. A firm, like a tree, becomes resilient not through a single point of brilliance, but through many quiet, dependable strengths growing together.

In our own practice, we have learned that durability is rarely the result of one outstanding moment. It is the patient accumulation of many smaller, steady commitments each engagement handled with the same diligence as the last, each relationship nurtured long enough to become a pillar in its own right rather than a passing thread. What may look, from a distance, like one strong institution is, in truth, the sum of many quietly dependable roots, each grounded over time.



CA Vijaya MOHAN
Managing Partner & CEO

At Evas Constantin, we hold this understanding close. We strive to cultivate enduring trust through many thoughtful actions, ensuring that whatever the circumstance, there is always a steady path to depend on. Our endurance is not the work of any one effort it is the outcome of many efforts, quietly sustained over years. Our journey continues to be shaped by the belief that lasting strength is built not in a single stem, but in the many roots we allow ourselves the patience to grow. As **Warren Buffett** has often reminded those who study his philosophy on long-term value, "Someone is sitting in the shade today because someone planted a tree a long time ago."

Warm regards,

CA Vijaya MOHAN

Managing Partner & CEO

IN THIS EDITION

Stepping into July 2026 with Depth, Discovery, and Direction

In that spirit, this edition invites you beneath the surface of standards and statutes to insights that reward the deliberate reader:

- **IAS 32 – Financial Instruments - Presentation**

Debt or equity? This edition provides an overview of the classification principles under IAS 32, compound instruments, and offsetting rules in a clear, structured, and practical guide.

- **Corporate Tax – Taxation on Family Foundations**

Explore how the UAE Corporate Tax regime treats Family Foundations, the conditions for obtaining tax-transparent status, and the tax implications for the ultimate beneficiaries.

- **VAT – Refund for UAE Nationals Building New Residences**

A walkthrough of the refund scheme for UAE Nationals constructing new homes: eligibility, qualifying expenses, timelines, and the documentation that turns entitlement into recovery.

- **Advance Payments under E-Invoicing: Key Considerations**

As the e-invoicing era draws closer, discover how advance payments affect tax points, invoice timing, and system readiness, so your compliance stays a step ahead of your receipts.

We extend our deepest gratitude to everyone who contributed their time and expertise to this edition and to our readers, whose curiosity gives this work its purpose.

Here's to diving beneath the surface and returning with something worth holding on to.

Happy Reading!

IAS 32 – Financial Instruments – IAS Presentation

The standard, and the single question behind it

Every instrument a company issues to raise money has to be presented as either a liability or equity. IAS 32, Financial Instruments: Presentation, sets the principles that decides. It is not cosmetic: the answer moves the balance sheet, splits the returns paid to investors between finance cost and distribution, drives gearing and covenant ratios, and shapes how lenders, regulators and shareholders read the accounts.

IAS 32 works within a family of three standards. IAS 32 governs presentation — liability versus equity, and when a financial asset and liability may be shown net. IFRS 9 governs recognition and measurement, and IFRS 7 governs the disclosures. A single convertible bond can engage all three, but the debt-or-equity call belongs to IAS 32.

Scope — and what is not a financial instrument

IAS 32 reaches all financial instruments except those covered by other standards (interests in subsidiaries, associates and joint ventures; employee benefits under IAS 19; insurance contracts under IFRS 17; and share-based payments under IFRS 2). Within scope sit cash, receivables and payables, loans, bonds, preference shares, ordinary shares, and derivatives over the entity's own equity.

It is just as important to know what falls outside. Prepayments and deferred revenue are settled by delivering or receiving goods and services, not cash, so they are not financial instruments. Inventory, property, plant and equipment, intangibles and statutory tax balances are likewise excluded. The test is always whether a contract creates a right or obligation to exchange cash or another financial asset.

The four definitions everything turns on

Financial instrument: a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial asset: cash; an equity instrument of another entity; a contractual right to receive cash or another financial asset, or to exchange on potentially favourable terms.

Financial liability: a contractual obligation to deliver cash or another financial asset, or to exchange on potentially unfavourable terms.

Equity instrument: any contract evidencing a residual interest in the assets of an entity after deducting all of its liabilities.

The decisive word is obligation. If the issuer has an unavoidable contractual obligation to deliver cash or another financial asset, the instrument is a liability. If the issuer can unconditionally avoid that delivery, it is equity. Substance governs form — an instrument may be called a “share” and still be a liability.

Why the classification matters – to the financials and to stakeholders

Because the choice between liability and equity changes the numbers rather than just their labels, IAS 32 is one of the highest-impact presentation standards in the framework. The same cash raised on the same commercial terms can produce two very different-looking sets of accounts.

The same AED 10m raise, two pictures

Suppose a company with AED 20m of equity and AED 30m of debt raises a further AED 10m through preference shares carrying an 8% return. Whether those shares are a liability or equity reshapes the headline metrics:

Metric (illustrative)	If AED 10m is a LIABILITY	If AED 10m is EQUITY
Total equity	AED 20.0m	AED 30.0m
Total debt	AED 40.0m	AED 30.0m
Gearing (debt ÷ equity)	2.0x	1.0x
8% annual return of AED 0.8m shown as	Finance cost in P&L	Distribution in equity
Effect on reported profit	Reduced by AED 0.8m	No effect

Neither presentation is a trick — each faithfully reflects the substance of the instrument. But the contrast shows why the classification is scrutinised so closely.

Where the effects land in the financial statements

- Balance sheet — liability classification raises reported debt and gearing; equity classification lifts reported equity but dilutes existing owners.
- Profit or loss — returns on liabilities are finance costs that reduce profit and earnings per share (though often tax-deductible); returns on equity are distributions taken directly to equity, leaving profit untouched (and usually not deductible).
- Ratios and covenants — debt-to-equity, interest cover and net-debt-to-EBITDA all move with the classification. A single misclassification can tip an entity through a covenant threshold.
- Earnings per share — returns on liability-classified instruments reduce earnings attributable to ordinary shareholders, and convertibles feed into diluted EPS.

What it means for each stakeholder

- Investors and shareholders read gearing and EPS to judge risk and return, and watch for dilution from equity-classified or convertible instruments.
- Lenders rely on debt figures and covenant ratios; a liability that was presented as equity can mask leverage and breach ranking or headroom terms.
- Management structures instruments deliberately to achieve a target classification, balancing gearing optics, tax efficiency and control.
- Auditors and analysts treat debt-versus-equity as a key audit judgment and a frequent source of material misstatement.

Examples by instrument — financial assets

The clearest way to apply IAS 32 is instrument by instrument. Each example below identifies the contract, the right or obligation it creates, and the classification that follows.

Cash and cash equivalents

A company holds AED 3,000,000 across current accounts and short-term bank deposits. Cash is a financial asset in its own right — it is the medium of exchange — and a bank deposit is a contractual right to receive cash from the bank. Both are financial assets of the holder and financial liabilities of the bank.

Trade receivables

The company sells goods for AED 250,000 on 60-day credit. The invoice creates a contractual right to receive cash, so the receivable is a financial asset. Note the mirror image: the customer's trade payable is a financial liability. Contrast this with a prepayment for future services — a right to receive services, not cash — which is not a financial instrument.

Loans and debt investments

The company lends AED 1,000,000 to a supplier at 8% interest, repayable in three years. The right to receive the principal and interest makes the loan a financial asset. The same logic applies to a corporate bond the company buys and holds — a debt instrument of the issuer held as a financial asset by the investor.

Equity investments in another entity

The company buys a 4% stake in another business for AED 600,000. Holding another entity's equity instrument is expressly a financial asset. (Larger holdings that give control, significant influence or joint control move out of IAS 32 into IFRS 10, IAS 28 or IFRS 11.)

Examples by instrument — financial liabilities

Trade and other payables

The company owes AED 180,000 to suppliers on normal credit terms. The obligation to pay cash makes the payable a financial liability. A provision for a cash legal settlement is likewise financial; a warranty obligation to repair goods, settled in kind, is not.

Bank borrowings and bonds payable

The company draws down a AED 5,000,000 term loan and separately issues straight (non-convertible) bonds of AED 8,000,000. Both carry an unconditional obligation to repay cash, so both are financial liabilities, measured at amortised cost under IFRS 9 with interest recognised as finance cost.

Examples by instrument — the equity-or-liability edge cases

The instruments above classify easily. The judgment in IAS 32 concentrates in a few areas where the same legal wrapper can be either equity or liability depending on its terms.

Ordinary shares

The company issues 1,000,000 ordinary shares. Their holders rank last, share in residual profits only when dividends are declared at the company's discretion, and cannot demand repayment. There is no obligation to deliver cash, so ordinary shares are the archetypal equity instrument.

Redeemable and convertible preference shares

Preference shares are the classic "it depends" instrument. What matters is who controls redemption and whether dividends are discretionary:

Feature of the preference share	Classification	Return is shown as
Mandatorily redeemable for cash on a fixed date	Financial liability	Finance cost in profit or loss
Holder can require redemption (puttable) for cash	Financial liability	Finance cost in profit or loss
Redeemable only at the issuer's option; dividends discretionary	Equity	Distribution within equity
Perpetual, non-redeemable, discretionary dividends	Equity	Distribution within equity

The lesson is that the label "preference share" tells you nothing on its own; the redemption and dividend terms decide the accounting.

Contracts settled in own shares – the fixed-for-fixed test

A contract the entity settles in its own equity is only equity if it exchanges a fixed amount of cash for a fixed number of shares. Two examples make the boundary concrete. A written option to issue 100,000 shares for AED 500,000 fixed is equity – fixed cash for fixed shares. But an obligation to deliver however many shares equal AED 500,000 of value is a financial liability, because the number of shares floats with the share price and the entity is, in substance, delivering value like cash.

Puttable instruments – the narrow exception

Some instruments oblige the entity to repurchase them for cash – for example, a member's units in a co-operative or certain fund shares – and so would be liabilities. IAS 32 carves out a limited exception: such puttable instruments are presented as equity if they are the most subordinated class, share pro rata in net assets on liquidation, and meet the other specific conditions. It is a deliberately narrow relief, not a general escape from the obligation test.

Compound instruments – splitting a convertible bond in full

Some instruments carry both a liability and an equity feature in one contract. The classic case is a convertible bond: the holder can demand cash repayment (a liability) or convert into a fixed number of shares (an equity option). IAS 32 requires the issuer to split the proceeds at issue and account for each part separately – the liability first, measured as the present value of the cash flows at the market rate for similar debt without the option, and the equity component as the residual, which is never remeasured.

The facts

On 1 January 2025 an entity issues 2,000 convertible bonds at par of AED 1,000 each. The bonds run three years, carry a 6% annual coupon, and each converts into a fixed number of ordinary shares at the holder's option. The market rate for similar non-convertible debt is 9%.

Split at issue	Amount (AED)
Proceeds received (2,000 bonds × 1,000)	2,000,000
PV of 3 annual coupons (6% × 2,000,000 = 120,000) at 9%	303,755
PV of principal (2,000,000) redeemed in year 3 at 9%	1,544,367
Liability component	1,848,122
Equity component (residual)	151,878

Journal entry at issue:

Dr Cash 2,000,000 | Cr Financial liability 1,848,122 | Cr Equity – conversion option 151,878.

The liability then unwinds at the 9% effective rate

Because the liability is measured at amortised cost using the 9% effective rate rather than the 6% cash coupon, the reported finance cost is higher than the cash paid, and the liability accretes to its AED 2,000,000 redemption value:

Year	Opening	Interest @9%	Coupon @6%	Closing
1	1,848,122	166,331	(120,000)	1,894,453
2	1,894,453	170,501	(120,000)	1,944,954
3	1,944,954	175,046	(120,000)	2,000,000

Each year the entity records finance cost at the effective rate, pays the cash coupon, and increases the liability by the difference (in year 1: Dr Finance cost 166,331 | Cr Cash 120,000 | Cr Financial liability 46,331).

What happens at the end

- **If not converted** — the entity settles the AED 2,000,000 liability in cash. The AED 151,878 equity component remains in equity (it may be transferred within equity, but never to profit or loss).
- **If converted** — the liability of AED 2,000,000 and the AED 151,878 option are both reclassified to share capital and premium as the shares are issued. No gain or loss arises on conversion.

Treasury shares — dealings in your own equity

When an entity buys back its own shares, IAS 32 treats them as treasury shares deducted from equity. No gain or loss is recognised in profit or loss on their purchase, sale, issue or cancellation — any difference is taken directly to equity. Recognising a “profit” on selling your own shares is a common and material error.

Example – buyback and resale

Buyback. The company repurchases 100,000 of its own shares at AED 5.00 (total AED 500,000). Entry: Dr Treasury shares (equity) 500,000 | Cr Cash 500,000.

Resale. It later reissues 40,000 of them at AED 7.00 (total AED 280,000). The cost of those shares was $40,000 \times 5.00 = 200,000$. Entry: Dr Cash 280,000 | Cr Treasury shares 200,000 | Cr Equity (premium/reserve) 80,000.

Note. The AED 80,000 uplift goes to equity, not to profit – there is no gain in the income statement even though the shares were sold above cost.

Offsetting – net only when both conditions are met

IAS 32 sets a high bar for presenting a financial asset and a financial liability net. Offsetting is permitted only when the entity both currently has a legally enforceable right to set off the recognised amounts and intends either to settle net or to realise the asset and settle the liability simultaneously. Both conditions must hold at once.

Example – same counterparty, two answers

Gross. The company has a AED 500,000 receivable from and a AED 300,000 payable to the same bank. A master netting agreement gives a set-off right only on default. With no present enforceable right and no intention to settle net, the amounts are presented gross – AED 500,000 asset and AED 300,000 liability.

Net. If instead the agreement conferred an unconditional present right of set-off and the company intended to settle net, it would present a single net AED 200,000.

Routing interest, dividends, gains and losses

Classification also dictates where returns go. Interest, dividends, gains and losses relating to a liability-classified instrument are recognised in profit or loss; distributions to holders of an equity-classified instrument are recognised directly in equity, together with any related transaction costs. This is the mechanism through which the balance-sheet classification flows into the income statement.

Bringing it together

Instrument	IAS 32 class	Financial-statement effect	Stakeholder relevance	Closing
Trade receivable / payable	Asset / liability	Working-capital line items	Liquidity, credit risk	1,894,453
Bank loan / straight bond	Liability	Debt; interest in P&L	Gearing, covenants	1,944,954
Ordinary shares	Equity	Share capital; dividends in equity	Ownership, dilution	2,000,000
Mandatorily redeemable pref. shares	Liability	Debt; "dividend" is finance cost	Understated gearing risk	2,000,000
Discretionary perpetual pref. shares	Equity	Equity; distribution in equity	Regulatory capital (AT1)	2,000,000
Convertible bond	Compound	Split: liability + equity option	Diluted EPS, gearing	2,000,000
Treasury shares	Equity (deduction)	Reduces equity; no P&L	Distributable reserves	2,000,000

Conclusion

IAS 32 establishes the foundation for the presentation of financial instruments by focusing on the substance of contractual rights and obligations rather than their legal form. The distinction between equity and financial liabilities is not merely a classification exercise—it directly influences an entity's reported leverage, profitability, earnings per share, key financial ratios, and regulatory capital.

In practice, many reporting issues arise from overlooking the underlying contractual terms. Instruments labelled as “shares” may, in substance, represent financial liabilities if they contain unavoidable redemption obligations. Similarly, compound instruments require careful separation into liability and equity components, treasury share transactions must remain within equity, and offsetting is permitted only when the stringent criteria under IAS 32 are fully satisfied.

A disciplined approach to IAS 32 begins with asking a few fundamental questions: Is there an unavoidable contractual obligation to deliver cash or another financial asset? Who controls redemption? Are distributions discretionary? Does the instrument satisfy the fixed-for-fixed criterion? Answering these questions correctly at inception helps ensure consistent classification throughout the life of the instrument.

Before finalising the financial statements, practitioners should also verify that:

- Financial liabilities and equity instruments have been classified based on their economic substance.
- Compound financial instruments have been appropriately bifurcated, with the liability measured first and the equity component recognised as the residual amount.
- Treasury shares are presented as a deduction from equity without recognising gains or losses in profit or loss.
- Interest, dividends, gains and losses are recognised in accordance with the instrument's classification.
- Offsetting has been applied only where both a legally enforceable present right of set-off and an intention to settle net (or simultaneously) exist.
- Items outside the scope of IAS 32, such as prepayments, deferred revenue and statutory tax balances, have not been incorrectly treated as financial instruments.

Ultimately, IAS 32 rewards careful analysis over legal terminology. By applying the Standard consistently and focusing on the contractual substance of each instrument, entities can present financial statements that faithfully reflect their financing arrangements, improve comparability across reporting periods, and provide users with more transparent and decision-useful information.



CA Akhil Kumar
Manager
Assurance

Taxation on Family Foundations



The introduction of the UAE Corporate Tax regime under Federal Decree-Law No. 47 of 2022 ('the Corporate Tax Law') has significantly reshaped the tax landscape for businesses and investment structures across the United Arab Emirates ('UAE'). Effective for tax periods commencing on or after 1 June 2023, the legislation has also brought family foundations within the scope of the Corporate Tax framework.

A "Family Foundation" is a tax concept rather than a distinct legal entity. To qualify, the entity must:

- Be established as a foundation, trust, or similar entity; and
- Satisfy the conditions prescribed under Article 17 of the Corporate Tax Law.

A Family foundation is an entity incorporated to hold and manage family assets for purposes such as wealth preservation, succession planning, asset protection, etc. Family Foundations may include foundations established in UAE free zone jurisdictions such as the Dubai International Financial Centre (DIFC), Abu Dhabi Global Market (ADGM), or RAK International Corporate Centre (RAK ICC), trusts established in the UAE mainland under Federal Decree-Law No. 31 of 2023, Waqf (endowments) established under Federal Law No. 5 of 2018 on Waqf (Endowment), etc., subject to meeting the prescribed conditions. It is possible for a foreign entity that is a foundation, trust or similar entity to be a Family Foundation as long as all the conditions of Article 17(1) of the Corporate Tax Law are satisfied.

Achieving Fiscal Transparency

By default, a foundation or incorporated trust is treated as a separate juridical person for Corporate Tax purposes, hence, it will have to comply with the Corporate Tax requirements of Registration, filing returns etc. In order to treat it as a fiscally transparent entity, it has to first comply with the conditions stated in Article 17(1) and make an application to the Federal Tax Authority (FTA) to be treated as an Unincorporated Partnership for Corporate tax purposes. In that case, it will not be subject to Corporate Tax in its own right and will be treated as transparent for Corporate Tax purposes.

Generally, unincorporated trusts or entities with no separate legal personality, are regarded as fiscally transparent by default.

Key Conditions to Qualify

To obtain and maintain fiscal transparency, a family foundation should continuously satisfy the following requirements throughout the financial year:

- 1 Beneficiary condition:** The foundation should be established for the benefit of identified/identifiable natural persons (typically family members) or public benefit entities or both.

- 2 Principal activity conditions:** The principal activity of the Family Foundation is to receive, hold, invest, disburse, or otherwise manage assets or funds associated with savings or investment.
- 3 No Business Activity condition:** The Family Foundation does not conduct any activity that would have constituted a Business or Business Activity had the activity been undertaken, or its assets been held, directly by a natural person who is its founder, settlor, or any of its beneficiaries.
- 4 No Tax Avoidance Purpose:** The FTA must be satisfied that the establishment of the structure or the application for fiscal transparency is not primarily intended to obtain an unintended Corporate Tax advantage.
- 5 Distribution Requirements:** Where beneficiaries include public benefit entities, the distribution conditions below must be met.
 - a) Such beneficiaries are not deriving income (through the Family Foundation) that would be considered 'Taxable Income' had they derived it directly in their own right. Either the income shall be exempt, or the public benefit entity shall be a Qualifying Public Benefit Entity or
 - b) the income that would be considered 'Taxable Income' is distributed to the relevant beneficiaries within 6 months from the end of the relevant Tax Period.

Transparency for Holding Companies and SPVs in a Multi-tier structure

Many family offices operate through layered holding structures comprising Special Purpose Vehicles (SPVs) and Limited Liability Companies (LLCs).

The eligibility of juridical persons in a multi-tier structure to be treated as Unincorporated Partnerships must be determined for each entity separately. To be able to make an application to be treated as fiscally transparent, a juridical person in the structure must:

- be wholly owned and controlled by a Family Foundation that is treated as an Unincorporated Partnership, either directly or indirectly. Where ownership and control are indirect, these must be through an uninterrupted chain of other entities which are themselves all fiscally transparent under the Corporate Tax Law, and
- meet the conditions specified in Article 17(1) of the Corporate Tax Law

The conditions should be met continuously throughout the relevant Tax Period of the juridical person. Where the conditions are not met continuously through the relevant Tax Period, the relevant juridical person (and juridical persons wholly owned and controlled by that juridical person) will no longer be treated as an Unincorporated Partnership from the beginning of that Tax Period. There is no requirement for juridical persons within the uninterrupted chain to have the same Financial Year.

However, an LLC cannot independently qualify as a family foundation. Its transparent status is entirely dependent upon its ownership by a qualifying Family Foundation and continued compliance with the relevant conditions stated in Article 17(1), including the restriction on carrying on commercial business activities.

Let us understand the Corporate Tax treatment of a multi-tier Family Foundation structure:

Both subsidiaries are UAE-incorporated LLCs that only hold real estate properties for the members of Family N. If the properties were held directly by the family members, the income would be Real Estate Investment income. Subsidiary A is wholly owned and controlled by Family Foundation N. Subsidiary B is wholly owned and controlled by Subsidiary A.

Corporate Tax treatment for Family Foundation N:

Family Foundation N is set up solely to manage the family wealth for the benefit of the identified beneficiaries. As a Family Foundation meeting the conditions of Article 17(1) of the Corporate Tax Law, it has made an application to the FTA to be treated as an Unincorporated Partnership, i.e. fiscally transparent. The application was approved by the FTA and, therefore, for Corporate Tax purposes the income, expenditure, assets and liabilities of Family Foundation N, are treated as the income, expenditure, assets and liabilities of the beneficiaries, in accordance with their respective distributive shares.

Corporate Tax treatment for Subsidiary A:

Subsidiary A, a juridical person, is wholly owned and controlled directly by Family Foundation N. It also fulfils the requirements of Article 17(1) of the Corporate Tax Law.

Subsidiary A has made an application to be treated as an Unincorporated Partnership, i.e. a fiscally transparent entity. The application was approved by the FTA. Given that Family Foundation N is also fiscally transparent, the income, expenditure, assets and liabilities of Subsidiary A will be deemed to be the income, expenditure, assets and liabilities of the members of Family N who are the ultimate beneficiaries.

Corporate Tax treatment for Subsidiary B:

Subsidiary B is wholly owned and controlled indirectly by Family Foundation N through Subsidiary A. Given that Subsidiary A is treated as an Unincorporated Partnership and Subsidiary B satisfies the conditions of Article 17(1) of the Corporate Tax Law, Subsidiary B is eligible to make an application to the FTA to also be treated as an Unincorporated Partnership. If the application is approved by the FTA, the income, expenditure, assets and liabilities of Subsidiary B will be deemed to be the income, expenditure, assets and liabilities of the members of Family N who are the ultimate beneficiaries.

Corporate Tax treatment for family members who are beneficiaries:

The income deemed to be the income of the family members via the Family Foundation will not be subject to Corporate Tax as it is Real Estate Investment income.

Family Offices

A Single-Family Office (“SFO”) or Multi-Family Office (“MFO”) may be established as a juridical person that is wholly owned and controlled by a Family Foundation. However, considering the nature of activities typically undertaken by an SFO/MFO, it may be challenging for such entities to satisfy all the conditions prescribed under Article 17(1) of the Corporate Tax Law to be treated as a Family Foundation.

Accordingly, an SFO/MFO that qualifies as a Resident Person will generally be subject to Corporate Tax on its taxable income. Where the SFO/MFO qualifies as a Free Zone Person, it may benefit from the 0% Corporate Tax rate on Qualifying Income derived from Qualifying Activities, subject to meeting all the conditions applicable to a Qualifying Free Zone Person.

Compliance Requirements

Obtaining fiscal transparency does not eliminate compliance obligations. Family foundations and qualifying juridical persons wholly owned and controlled by such foundations are still required to:

- Register for UAE Corporate Tax and obtain a Tax Registration Number (TRN);

- Apply to the FTA for transparent status, where required, before end of relevant tax period;
- Continue satisfying all conditions of Article 17; and
- Submit the annual confirmation (within 9 months from the end of the relevant Tax Period) required under FTA Decision No. 5 of 2025 confirming continued eligibility.

Transfer pricing compliance in case of any transactions between the Family Foundation and its beneficiaries, founder, settlor, or any similar transferor must be conducted on an arm's length basis. For example, any payments made by the Family Foundation to beneficiaries for services rendered should reflect market value and be consistent with the arm's length principle.

Regular monitoring is important, as any change in activities or ownership could affect the foundation's tax treatment.

Tax Treatment of Beneficiaries

Fiscal transparency shifts the tax implications from the foundation to its beneficiaries. The Corporate Tax treatment will then be assessed at the level of each beneficiary, in accordance with the general rules for determining Taxable Income under the Corporate Tax Law.

For natural persons, distributions are generally not subject to UAE Corporate Tax where they relate to personal investments/ real estate investments or family wealth.

Qualifying Public Benefit Entities continue to enjoy exemption under the Corporate Tax regime, subject to meeting the prescribed conditions. However, any beneficiary that is a public benefit entity which is, or becomes, a Taxable Person will include its distributive share of the Family Foundation's income and expenditure in its Taxable Income

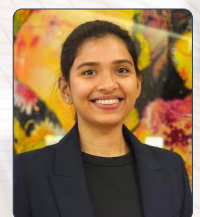
Key Takeaway

Family foundations continue to remain an effective vehicle for preserving family wealth. However, maintaining fiscal transparency requires more than simply establishing the structure. Families should ensure that the foundation remains focused on wealth preservation, avoids undertaking commercial business activities, and complies with all registration and annual reporting obligations prescribed by the FTA.

With proper planning and ongoing compliance, family foundations can continue to achieve their intended succession planning and asset protection objectives while remaining tax efficient under the UAE Corporate Tax framework.



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VAT - Refund for UAE Nationals Building New Residences



Article 75 of Federal Decree Law 8 of 2017 as amended (‘the **VAT Law**’) provides that where a national of the UAE (**‘UAE National’**) owns or acquires land in the UAE on which he / she builds or commissions the construction of his / her own residence, he / she is entitled to request a special refund from the Federal Tax Authority (‘the **FTA**’) for the VAT incurred on certain expenses related to the construction of a new residence, subject to certain conditions (**‘VAT Refund Scheme’**) stated in Article 66 of the VAT Executive Regulation (**‘VAT ER’**). To provide greater clarity on the eligibility criteria and conditions for claiming the refund, the FTA has recently issued a new VAT Guide (VATGRH1 – June 2026) on the VAT Refund Scheme for UAE Nationals Building New Residences (‘the **Guide**’). Set out below is a brief overview of the key eligibility criteria and conditions for claiming the special VAT refund available to UAE nationals under the scheme:

Meaning of “residence” under the New Residence VAT Refund Scheme

Under the New Residence VAT Refund Scheme, a **“residence”** is any newly built home, such as villas or town-houses, used mainly as a private dwelling of the Applicant and / or his or her family and equipped with **cooking, washroom/bathroom, and sleeping facilities**.

Additional structures on the same plot generally **do not qualify** as a “residence” unless they also include **sleeping quarters, washroom facilities, and access to cooking facilities**.

Qualifying Examples

- A second fully equipped house (with cooking, washroom, and sleeping facilities) built on the same plot
- An added floor or extension that includes washroom and sleeping facilities with direct access to cooking facilities, functioning as an independent residence
- A standalone building on the same plot with sleeping, washroom, and cooking access

A residence remains eligible even if a **small portion** is used as a study or workspace.

Non Qualifying Examples

- Playrooms added to the residence at a later stage
- Extensions with only cooking facilities or a Majlis without washroom and sleeping areas
- Garages or car ports added after completion
- Landscaping or smart security systems installed after completion
- Commercial-use units, such as hotel apartments, serviced apartments, and guest houses

Eligible Persons

Pursuant to Article 66(2) of the VAT ER and the Guide, the Refund Request may **only** be made by a **natural person who is a UAE National and holds Family Data**.

It is noteworthy that with effect from 2024, the Family Book requirement was replaced with “Family Data”, a digital alternative to the old Family Book.

Eligible expenses

The following categories of expenses will qualify under the Refund scheme:

- 1 Services provided by contractors, builders, architects, engineers, and other similar services necessary for the successful construction of the residence.
- 2 Building materials that are incorporated by builders into a residential building or its site, excluding furniture or electrical appliances.
- 3 VAT incurred on transport costs and clearing agent fees on importation of building material to the extent these costs are incurred directly in connection with building materials to be used for constructing a new residence.

Goods and materials are considered to be incorporated into a building when they are attached in such a way that their removal would require the use of tools or result in the need for remedial work to the structure of the building, or cause damage to the Goods/materials themselves.

Ineligible Goods:

- Appliances that are removable and not built into the residence.
- Furniture such as sofas, tables, chairs and loose carpets.

Eligible Goods:

- Central air conditioning and split units.
- Doors.
- Fire alarms and smoke detectors.
- Flooring (excluding loose carpets).
- Kitchen sinks, work surfaces and fitted cupboards.
- Sanitary and shower units.
- Smart and security systems, that are fixed and integrated into the residence.
- Window frames, awnings and glazing.
- Wiring when embedded inside the structure of the building.
- Swimming pools and fountains
- Landscaped agricultural areas within the boundaries of the land

Timeframe for submitting the Refund Request

UAE Nationals must submit their New Residence VAT Refund Request within 12 months from earliest of the following events:

- When the residence is first occupied (documentary proof of actual occupation date to be retained)
- When the Building Completion Certificate is issued
- Any date stipulated by the FTA

Exceptions to the 12-Month Rule

In limited cases, the FTA may allow a later completion date if:

- The applicant could not submit on time due to reasons such as illness or military service
- There is an ongoing legal dispute related to residence
- Technical issues remain after the issuance of completion certificate, requiring additional work before the home is ready for occupancy

These situations must be supported by **official documents or consultant affidavits**, and acceptance is at the **FTA's discretion**.

Retention Payments

Where retention payments exist, a subsequent refund request may be submitted to recover the related VAT. The request must be filed within 6 months of payment and include proof of payment. Multiple retention payments may be consolidated into one request, provided they are submitted within 6 months from the date of the first retention payment.

How to apply

A Refund application must be submitted either using the Maskan application or through EmaraTax. The Guide confirms that both the Maskan application and EmaraTax can be used as they are synchronised.

UAE National may only submit one Refund Request per residence, except in the case of retention payments where further application in respect of the same residence may be submitted under certain circumstances.

Supporting documents to be submitted with Refund Application

- Copy of the Applicant's Emirates ID.
- Copy of the Applicant's Family Data (Family Sequence Number).
- Copy of the property completion certificate and building permit.
- Copy of the property site plan.
- Documentary evidence proving that the Applicant owns the plot of land in the UAE on which the residence was constructed.
- Copy of the letter/certificate issued and stamped by the Applicant's bank which includes details such as the account holder's name, bank's name and IBAN.
- Power of attorney where the application is submitted on behalf of the owner, and / or court permission where the submission is on behalf of minors.
- The FTA may request further documentation to evidence the date the building is occupied.

FTA EVALUATION PROCESS

Following submission, the FTA will acknowledge receipt of the Refund request and review the application and supporting documents to determine whether the Applicant is eligible under the Refund Scheme.

A reference number will be provided to the Applicant, and additional information may be requested.

If the initial assessment is successful, the application will be transferred from the FTA to the Verification Body for further review. The Verification Body does not charge a fee to Applicant for this service.

The Verification Body may require the Applicant to submit additional documentation supporting the claim using EmaraTax or the Maskan application, for example:

- Architectural layout drawings.
- Bill of Quantities.
- Building permit.
- Copies of the construction contract (including addendums).
- Copies of the consultancy agreement (including addendums).
- Copies of variation orders.
- Copies of invoices that include returned items.
- Copies of credit notes.
- Tax Invoices and payment proofs provided by the contractor and the consultant to the Applicant.

Tax Invoices should include the name of the owner (i.e. the Applicant), valid TRNs and the correct VAT amounts.

Simplified Tax Invoices will not be accepted for the purpose of claiming a VAT refund. Tax Invoices issued in the name of a related party / consultant / contractor / agent, must state that they are for the use of the Applicant and reflect the details of the building (including the plot number) for which the costs were incurred. Furthermore, the related party / consultant / contractor / agent has to confirm that it is not recovering any Input Tax related to the same Tax Invoice.

Reviewing the documents and refunding VAT might take up to 20 Business Days from the date all the required documents were submitted.

Once the Refund Request is reviewed by the Verification Body, the Verification Body will inform the FTA of the outcome of the verification. Following this, the FTA will notify the Applicant whether the Refund Request is approved, amended or rejected.

The newly issued VAT Guide provides much-needed clarity on the eligibility criteria, qualifying expenses, documentation requirements, and procedural aspects of the VAT Refund Scheme for UAE Nationals building new residences. Careful review of eligible expenses and compliance with the FTA's requirements will be essential to successfully claim the VAT refund available under the scheme.



CA Dhairya D Jayswal
Manager
Indirect Taxation

Advance payments under E-Invoicing: Key Considerations



As per the UAE VAT Law, the date of supply is triggered upon receipt of advance payment where such payment is received prior to the issuance of a tax invoice or the provision of taxable supply of goods or services. Accordingly, VAT becomes applicable on the receipt of such advance payments and must be reported and paid to the Federal Tax Authority ('FTA') at the time of receipt, to the extent the advance relates to a standard-rated supply of goods or services.

This treatment remains unchanged following the implementation of e-Invoicing. In the guidance issued by the Ministry of Finance ('MoF') on 23 February 2026, the following clarification was provided regarding the treatment of advance payments under the e-Invoicing framework:

"For Business Transactions involving advance payments made prior to the final invoice being issued, the adjustment amounts for these advance payments should be included in the "Paid Amount" field. Furthermore, to ensure clear recordkeeping, you should also reference the original invoice that was issued when the advance payment was received. This reference can be included in the "Preceding Invoice Reference" section. This way, all parties involved can easily track the advance payment and its adjustment in the final invoice."

However, as per the PINT AE website, the "Paid Amount" data field is indicated as optional. This has consequently led to differing interpretations regarding whether the **"Paid Amount" field is mandatory or optional** in practice.

Further, the sample tax invoice provided by the MoF in the same guide (screenshot below) illustrates a scenario in which the "Paid Amount" field appears after the "Invoice Total Amount with Tax," which is used to determine the "Amount Due for Payment."

Tax Invoice																																			
SELLER:			Business Process type : urn:peppolbis:billing		Invoice Number : INV-001/2025																														
Name : Supplier Name			Specification Identifier : urn:peppol:pint:billing-1@ae-1		Invoice Issue Date : 2025-06-18																														
Tax Registration Number (TRN) : 123456789012003					Invoice Type Code : 380																														
Supplier legal registration number : 122334455					Invoice Currency Code : AED																														
Supplier legal registration type : Trade License					VAT Currency Code : AED																														
Authority name : Dubai Economy and Tourism					Payment Due Date : 2025-06-25																														
Address : Sheikh Zayed Road, Dubai, Dubai, UAE					Invoice transaction type code : 00000000																														
Contact number : +971 4 123 4500					UUID : 19e2c9a3-b000-4fb0- 9bd5-a9c4ebda2358																														
Email address : contact@Supplier.com																																			
Electronic address : 0235:1234567890																																			
BUYER:					OTHER INFORMATION:																														
Name : Buyer Name					VAT Point Date : 2025-06-15																														
Tax Registration Number (TRN) : 124578091212003					Currency Exchange Rate :																														
Buyer legal registration number : 2233557788					Frequency of Billing : Fortnightly																														
Buyer legal registration type : Trade License					Billing Period : 2025-06-01 to 2025-06-15																														
Authority name : Dubai Economy and Tourism					PAYMENT INFORMATION:																														
Address : Sheikh Zayed Road, Dubai, Dubai, UAE					Payment Mode : Bank Transfer																														
Contact number : +971 4 345 4500					Supplier's Bank Account Number : 101010101010																														
Email address : contact@Buyer.com					Payment Terms : Within one week																														
Electronic address : 0235:1245780912																																			
<table><thead><tr><th>No.</th><th>Item name</th><th>Item Description</th><th>Quantity</th><th>Unit of measurement</th><th>Unit of price AED</th><th>Subtotal AED</th><th>Allowance amount AED</th><th>Charge amount AED</th><th>Tax type</th><th>Tax Rate (%)</th><th>Tax amount AED</th><th>Gross Amount AED</th></tr></thead><tbody><tr><td>1</td><td>Pen</td><td>Fountain Pen</td><td>2,000</td><td>Piece</td><td>5.00</td><td>10,000.00</td><td>-</td><td>-</td><td>Standard Rated</td><td>5.00</td><td>500.00</td><td>10,500.00</td></tr></tbody></table>										No.	Item name	Item Description	Quantity	Unit of measurement	Unit of price AED	Subtotal AED	Allowance amount AED	Charge amount AED	Tax type	Tax Rate (%)	Tax amount AED	Gross Amount AED	1	Pen	Fountain Pen	2,000	Piece	5.00	10,000.00	-	-	Standard Rated	5.00	500.00	10,500.00
No.	Item name	Item Description	Quantity	Unit of measurement	Unit of price AED	Subtotal AED	Allowance amount AED	Charge amount AED	Tax type	Tax Rate (%)	Tax amount AED	Gross Amount AED																							
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Standard Rated	10,000.00	5.00	500.00																																
UAE Electronic Invoicing Guidelines																																			
										Total Net Amount			10,000.00																						
										(LESS): Total Document Level Allowances			-																						
										ADD: Total Document Level Charges			-																						
										Total Excluding VAT			1,000.00																						
										Total VAT Amount			500.00																						
										Total including VAT			10,500.00																						
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										ADD: Rounding Amount			-																						
										Total Payable Amount			9,500.00																						

This guidance has led to certain complications, including the potential for duplication of VAT, as illustrated below:

- A supply of AED 2,000 is made, with VAT of AED 100. A 50% advance is received initially, and the supply is completed at a later date.

Prior to e-Invoicing Implementation

Particulars	Advance Invoice (01/01/2026 – 50%)	Final Invoice (30/04/2026 – 100%)
Invoice line level without tax	1,000	2,000
Invoice line level Tax amount	50	100
Paid Amount (Portion of taxable amount)	-	(1,000)
Paid Amount (Portion of VAT amount)	-	(50)
Invoice Total Amount without Tax	1,000	1,000
Invoice Total Tax amount	50	50
Amount Due for payment	1,050	1,050
Total VAT Payable to the FTA	100	

Post e-Invoicing Implementation (“Paid amount” is mandatory as per the guidelines issued on 23 February 2026 and is available only at total invoice level and not at invoice line level)

Particulars	Advance Invoice (01/01/2027 – 50%)	Final Invoice (30/04/2027 – 100%)
Invoice line level without tax	1,000	2,000
Invoice line level Tax amount	50	100
Invoice Total Amount without Tax	1,000	2,000
Invoice total Tax amount	50	100
Invoice Total Amount with Tax	1,050	2,100
Paid Amount (Advance Received – No split between taxable and VAT amount)	-	1,050
Amount Due for payment	1,050	1,050
Total VAT Payable to the FTA	150	

Based on the above structure, the VAT relating to the advance payment is reflected at the advance invoice stage, while the final invoice reflects VAT on the full value, with the “Paid Amount” presented at the total level. As the “Paid Amount” is not distinguished between taxable value and VAT components, the adjustment of VAT relating to the advance was not explicitly visible within the invoice presentation.

Basis the guidance provided in guidelines released on 23 February 2026, post e-Invoicing implementation, VAT would be reflected as AED 150 (AED 50 from the advance invoice and AED 100 from the final invoice) within the e-invoice. This arises as the “Paid Amount” is presented after the “Invoice Total Amount with Tax” and is not distinguished between taxable value and VAT components. As a result, the final invoice continues to reflect VAT on the full taxable value (AED 2,000), without reducing the taxable base for the portion already invoiced at the advance stage. While the “Paid Amount” adjusts the overall amount due, it does not adjust the taxable value or

VAT at component level within the invoice structure. Consequently, VAT of AED 100 is reflected on the final invoice in addition to the AED 50 already accounted for at the advance stage, resulting in a total of AED 150 being reflected across the invoices against a supply where the total VAT is AED 100.

In light of the challenges outlined above, which may potentially result in duplication of VAT on advance amounts, the MoF issued the following clarification on advance payment scenarios in the guidelines released on 01 June 2026.

MoF has now clarified that the **“Paid Amount” field is optional** and may be left blank in the final invoice.

At the time of issuing the final invoice, only the outstanding balance should be invoiced, rather than the full contract value, **since a tax invoice would already have been issued for the advance payment**. The guidance further provides that, to establish linkage with the advance invoice, a reference to the original invoice may be included under IBT-25 (Preceding Invoice Reference) and IBT-26 (Preceding Invoice Issue Date), or alternatively, a reference note may be included under IBT-022.

Illustrative example:

Assume a supply of AED 2,000 with VAT of AED 100, where a 60% advance is received initially and the remaining balance is settled upon completion of the supply.

At the time of receipt of the advance, an e-Tax Invoice (380) should be issued with:

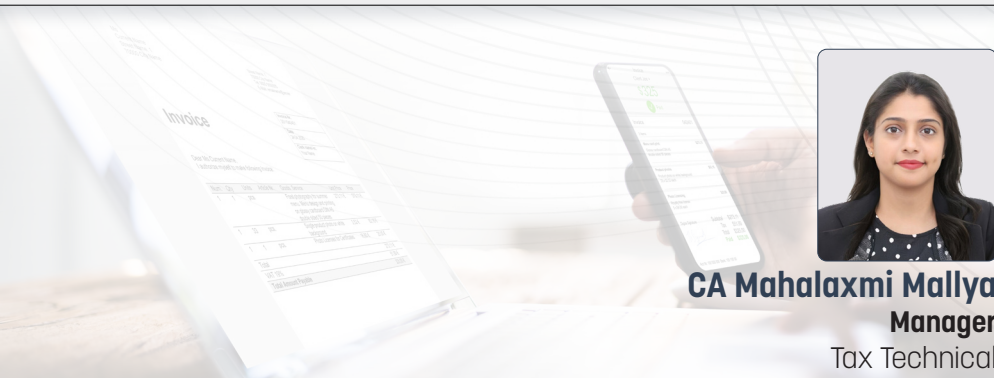
- “Tax Exclusive Amount”: AED 1,200
- “Tax Amount”: AED 60
- “Payable Amount”: AED 1,260

Upon issuance of the final invoice, an e-Tax Invoice (380) should be issued only for the remaining consideration of AED 800, with:

- “Tax Exclusive Amount”: AED 800
- “Tax Amount”: AED 40
- “Payable Amount”: AED 840

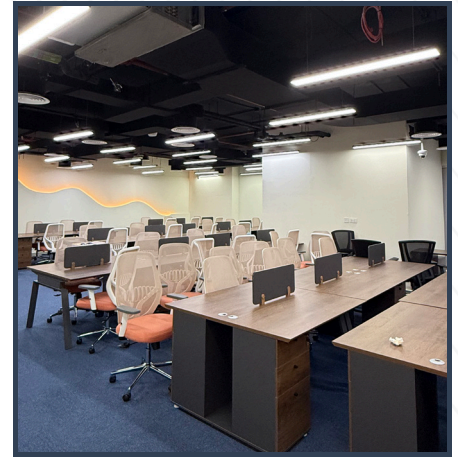
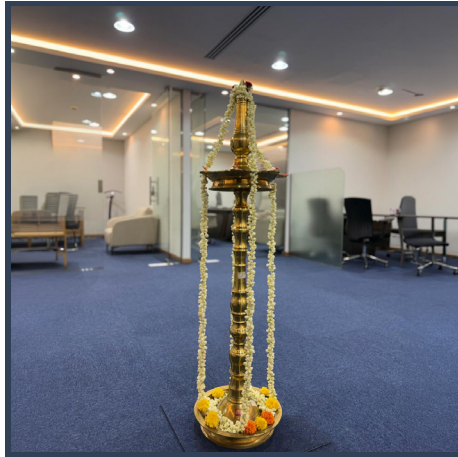
The final invoice should also include a reference to the advance invoice by way of the Invoice Document Reference, including the invoice number and invoice issue date.

Thus, the recent clarification from the MoF provides much-needed practical relief by addressing inconsistencies arising from the treatment of advance payments under the e-Invoicing framework. By allowing flexibility in the use of the “Paid Amount” field and reinforcing invoice linkage through appropriate referencing, the updated guidance helps mitigate the risk of unintended VAT duplication and supports a more coherent invoice-level reporting structure.



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