



**Spectrum
Auditing**

**AUGUST 2025
NEWSLETTER**

SPECTRUM TIMES

**Financial Reporting and Tax
Compliance Essentials**



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Podcast **BUSINESS UNPLUGGED WITH
CA BALARAM**

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Message from the **CEO**

Dear Valued Clients, Partners, and Team

As we conclude another month of significant milestones and strategic advancements, I am pleased to share our August newsletter with you. This edition brings you essential updates across the taxation landscape, economic insights, and our continued commitment to sustainable practices.

Our team has diligently tracked key regulatory changes, offering detailed analyses on topics ranging from the FTA's new decisions on aggregated financial statements for tax groups to the intricacies of VAT in B2B healthcare. We also address practical challenges in corporate tax and VAT registration, provide clarity on real estate VAT rules, and deep-dive into the evolving cryptocurrency regulatory framework in the UAE. Our economic overview explores the global impact of trade tariffs and provides timely insights on the new Mission Visa.

Beyond compliance, we are excited to announce "Sustainability Month" for August, underscoring our unwavering dedication to environmental, social, and governance (ESG) practices. This initiative, highlighted in our newsletter, reflects our core belief in leading by example for a sustainable future.

We are confident that the information enclosed will empower you with knowledge and clarity to navigate the dynamic business environment. Your trust in Spectrum Auditing is deeply valued, and we remain committed to providing unparalleled service and thought leadership.



Bafaram Vuchidi

PODCAST WITH CA NAVEENKUMAR KABRAA

Key Takeaways on UAE Corporate Tax (CT)

1. Financial Statements Matter More

- CT is based on profits in the income statement, unlike VAT.
- Accurate, reliable financial records are essential.

2. IFRS Compliance

- All businesses must now prepare accounts as per International Financial Reporting Standards (IFRS).

3. Adjustments to Accounting Profit

- Expenses: Some costs are not deductible (fully/partially) and must be added back.
- Income: Exempt income is removed from profit.
- Foreign Currency: Must use UAE Central Bank exchange rates.
- Deferred Taxes: Businesses must now account for deferred tax assets and liabilities

4. Related Party Transactions

- Dealings with shareholders, directors, and affiliates must follow arm's length (market value) principle.
- Shareholder accounts and related interest must be properly valued to avoid penalties.

5. System & Practice Changes

- Chart of Accounts: Must classify taxable vs. exempt income, and deductible vs. non-deductible expenses.
- Expense Categories: Example: employee entertainment (deductible) vs. client entertainment (50% deductible). Interest expenses may also have limits.
- Operations: Accounting processes need continuous updates to stay compliant.

6. Audits

- Mandatory for:
 - Free zone firms seeking 0% CT status.
 - Businesses with turnover above AED 50M.
- Recommended for All: Audits give assurance on accuracy, help determine taxable income correctly, and reduce risks of penalties.



Watch the CT podcast series and more here:

<https://www.youtube.com/@Spectrum-Auditing/videos>



SUSTAINABILITY MONTH

Sustainability Month (August)

Mr. Balaram Vuchidi, CEO of Spectrum, champions sustainability—an essential component for every business's future. At Spectrum Auditing, we lead by example through early adoption of ESG practices, believing its importance extends to every individual. Our team has launched Sustainability Month (August), starting with an Awareness Week focused on learning, giving back, and making lasting commitments.

Four Weeks - Four Challenges

Office Plant Buddy Contest: Each team member will receive a small indoor desk plant to care for throughout the month as part of an ongoing friendly competition.

Week 1 - Education and Awareness (Days 1-7):

An awareness email will be sent daily on a sustainability topic.

Employees are encouraged to spend 10-15 minutes reflecting on the topic and sharing a short note on what they learned.

Objective: Build awareness of current sustainability issues and how small individual actions drive change.

Recognition: Best reflections will receive small prizes.

Week 2 - Reduce and Reuse (Days 8-14):

Focus on eliminating single-use items and minimizing unnecessary waste.

Employees will be encouraged to avoid plastic products, limit tissue use, and stop using disposable paper cups/spoons/plates.

At week-end, the team will be informed about the amount of waste reduced.

Recognition: The most impactful and inspiring entry will be recognized as "Sustainability Champion of the Month."

Sustainability Committee:

Throughout the month, management will form a Sustainability Committee to guide and support Spectrum's sustainability goals, driving initiatives and ensuring progress toward long-term objectives.

Conclusion:

Sustainability is not a one-time event; it's a mindset, a habit, and a shared responsibility. This month-long initiative aims to ignite awareness, inspire action, and encourage lasting change within our Spectrum family. Each small step by an individual contributes to a larger collective impact, fostering a greener office and a better future.

Let this Sustainability Month be the beginning of an ongoing journey where every action, no matter how small, reflects our commitment to lead by example and give back to the world we share. Together, let's grow greener, live cleaner, and lead with purpose.



Green Desk Initiative: A self-paced activity where employees maintain an eco-friendly, organized desk (reducing plastic/paper, decluttering). Management will review efforts and award outstanding initiatives.

Week 3 - Sustainability Contest:

Department-Wise Waste Tracking Challenge: Each department will track its waste generation, with the department achieving the lowest waste declared the winner.

Week 4 - Give Back and Commit:

Every employee will make a personal sustainability pledge and prepare a short note to themselves or the team sharing key takeaways, implemented sustainable actions at the office, and positive changes adopted at home.

1) FTA's Decision on Audited Special Purpose Financial Statements for Tax Groups - **By CA Sai Kumar Kaku**



On July 16, 2025, the Federal Tax Authority (FTA) issued Decision No. 7 of 2025, detailing requirements for Audited Special Purpose Financial Statements for Tax Groups under Federal Decree-Law No. 47 of 2022 on Corporate Tax, effective for tax periods starting on or after January 1, 2025.

PREPARATION FRAMEWORK:

1. Uniform accounting policies apply across the group.
2. Statements must be in UAE Dirhams (AED).
3. Only pre-tax profits/losses are aggregated.
4. Investments outside the Tax Group are recorded at cost less impairment.
5. Intra-Tax Group balances, incomes, expenses, and unrealized gains/losses on internal transfers should be eliminated.
6. Business combination accounting (IFRS 3) and consolidation adjustments (IFRS 10) are largely excluded, except where a transaction does not involve acquiring a separate legal entity.
7. Adjustments for goodwill, bargain purchase gains, or fair value remeasurements from consolidated accounts are not recorded.
8. A line-by-line aggregation of each financial statement item is required, without eliminating investments and related equity between members.
9. Impairments recorded by a parent or subsidiary on investments in other Tax Group members are not eliminated.



1. **Required Statements & Disclosures:** A complete set must include: Aggregated statement of financial position, Aggregated statement of profit or loss, Aggregated statement of other comprehensive income, Aggregated statement of changes in equity. Disclosures should explain: preparation framework, basis of aggregation, significant accounting policies/judgments, and supporting explanatory notes.
2. **Rules for Members Leaving a Tax Group:** Departing members must adopt asset and liability values recorded by the Tax Group as their opening balances, unless accounting standards prohibit it (in which case, tax calculations should assume such values).

How is Aggregated FS different from CFS as per IFRS 10?

Area	IFRS 10 (CFS)	Aggregated FS (UAE Tax Group)	Key Difference
Basis of Preparation	Full consolidation under IFRS 10 using control concept.	Line-by-line aggregation of individual FS, no consolidation of investments/equity.	Aggregation method is not true consolidation.
Treatment of Investments in Group Members	Investments in subsidiaries are eliminated against the parent's equity interest.	Investments in tax group members are kept at cost less impairment.	Investments are not eliminated in Aggregated FS.
Goodwill / Bargain Purchase Gains / Fair Value Adjustments	Recognized as per IFRS 3 on acquisition.	Not recognized (except when acquiring assets/liabilities directly without separate legal entity).	No goodwill or FV adjustments in most cases.
Elimination of Intra-group Transactions	All intra-group balances, transactions, income, expenses, and unrealized profits/losses are eliminated.	Only intra-tax group balances, incomes, expenses, and unrealized gains/losses are eliminated.	Elimination scope is narrower in Aggregated FS.
Parent/Subsidiary Impairments on Investments in Group Entities	Eliminated as part of investment elimination process.	Impairments are not eliminated.	Leads to different net asset values.
Currency Presentation	Any presentation currency selected by the group.	Must be presented in UAE Dirhams (AED).	Currency fixed to AED for Aggregated FS.
Business Combination Accounting (IFRS 3)	Fully applied for all acquisitions within scope.	Excluded, except when no separate legal entity is acquired and assets/liabilities are directly recognized.	Business combination rules mostly bypassed.
Equity Between Group Entities	Eliminated in consolidation.	Not eliminated in aggregation.	Results in duplication of equity in totals.

Effective Date: This decision is enforceable for tax periods starting January 1, 2025, and will be published in the Official Gazette.

2) Two Trade Licenses, One Tax Reality: Why Combined Financials Need Clarity in the UAE CT Era" - By CA Narendra Kottu



Is your business operating with multiple trade licenses but using a single set of accounts? While common in the past for convenience, this practice is now perilous under UAE Corporate Tax (CT). The new law clearly states that each legal entity (trade license) is a separate taxable person, requiring its own accurate and auditable financial statements, unless part of an official CT tax group. The era of combined accounting is over. Continuing this way exposes businesses to incorrect tax filings, penalties, and audit disputes.

Do You Recognize These Warning Signs?

Many businesses with combined accounts face problems such as:

- **Negative Stock:** One company shows massive negative stock due to inter-company "transfers" without proper accounting.
- **Mixed-Up Bank Accounts:** All store funds and expenses are consolidated in one bank account, making it impossible to separate cash flows by entity.
- **Unclear Profits:** Profitability per company is obscure, with shared costs informally allocated without a proper basis.
- **Balance Sheet Confusion:** Share Capital and Retained Earnings don't reflect the true status of each separate legal entity.

If these resonate, it's time to act. To learn about solutions, refer to our blog:



<https://www.spectrumaccounts.com/two-trade-licenses-one-tax-reality-why-combined-financials-need-clarity-in-the-uae-ct-era/>



3) VAT on B2B Healthcare Services in the UAE - By Shivani Errolla



The FTA has issued a public clarification (VATP016) on how Value Added Tax (VAT) applies to business-to-business (B2B) healthcare services, especially when healthcare providers collaborate (e.g., doctors, hospitals, laboratories).

General VAT Rule in the UAE:

Most goods and services are subject to 5% VAT. However, healthcare services can be zero-rated (0%) under specific conditions. According to Article 41 of the Executive Regulations, "Healthcare services" are those accepted in the medical profession as necessary for the treatment of the recipient, including preventive treatment.

Zero-Rating Conditions:

Zero-rating applies *only if the patient is the direct recipient* of the healthcare service. If the recipient is another business (e.g., a hospital contracting another provider), 5% VAT applies.

Scenario 1: Doctor Contracted by a Hospital

A doctor contracted by a hospital provides services to the hospital, even though patients ultimately benefit. Since the hospital is the direct recipient, the doctor must charge 5% VAT to the hospital. When the hospital subsequently provides services directly to patients, the patients are the recipients, and the services qualify for zero-rating.

Example: Doctor charges hospital AED 20,000 + 5% VAT (AED 1,000). Hospital charges patient AED 500 + 0% VAT.

Scenario 2: Hospital Refers Patient to a Laboratory

If a hospital refers a patient to a laboratory and the patient directly engages and pays the lab, the lab's services to the patient are zero-rated. However, if the hospital contracts the lab on behalf of the patient and pays the bill itself, the lab's supply to the hospital is subject to 5% VAT, while the hospital's onward supply to the patient remains zero-rated.

Example: Lab charges patient AED 300 + 0% VAT.

Scenario 3: Hospital Contracts Another Hospital for a Specialist Procedure

If one hospital (e.g., Green Hospital) contracts another (e.g., Blue Hospital) for a specialist procedure, Blue Hospital invoices Green Hospital with 5% VAT, as Green Hospital is the contractual recipient. Later, when Green Hospital bills the patient, the service is zero-rated because the patient is the direct recipient.

- *Example:* Blue Hospital charges Green Hospital AED 50,000 + 5% VAT (AED 2,500). Green Hospital charges patient AED 70,000 + 0% VAT.

To determine the correct VAT treatment, Healthcare Providers should carefully check:

1. Who the contractual recipient is.
2. Whether the service is supplied directly to the patient.

Conclusion:

For B2B healthcare services in the UAE, the main takeaway is that most services provided between businesses, not directly to a patient, will likely incur 5% VAT. While patient-facing services often remain zero-rated, the distinction made by VATP016 is crucial for hospitals, clinics, and labs. Understanding your specific transactions, applying VAT accurately, and staying updated with tax authority guidelines are essential for compliance.

4) Practical Challenges in VAT & Corporate Tax Registration in the UAE - By Babins Salasin



Since the introduction of VAT (2018) and Corporate Tax (CT, June 2023), UAE businesses must adapt. CT registration is mandatory for almost all trade license holders (excluding sole proprietorships), while VAT registration depends on activity and turnover. Despite the FTA Emaratax portal making registration appear simple, many companies face practical challenges needing careful attention.

1. Challenges in VAT Registration:

- **Understanding Registration Thresholds:** Many small businesses miscalculate taxable supplies, leading to confusion over the mandatory (AED 375,000) or voluntary (AED 187,500) thresholds, causing delayed registration and penalties.
- **Duplicate Accounts & TRN Linking Issues:** Some companies mistakenly create multiple FTA accounts, complicating TRN linking with customs or CT profiles.
- **Documentation Errors:** Incomplete or incorrect documents (e.g., trade licenses, MOA, turnover declaration letters) frequently result in rejections.
- **VAT Grouping Complexities (Federal Decree-Law Article 14):** Businesses with multiple licenses or group structures face challenges consolidating VAT due to ownership mismatches or unclear eligibility.
- **Technical Glitches on FTA Portal:** Occasional downtime or errors during submission cause registration delays.

Common Difficulties for Specific Transactions:

- **VAT Registration based on expected turnover:** FTA scrutiny is higher; requires signed and stamped purchase orders with a 30-day payment commitment letter.
- **VAT Registration for E-commerce Businesses (E-Commerce VATGEC1):** FTA requires more clarity on online services, assessing human intervention and benefit to UAE customers, extending approval timelines.
- **VAT Registration Based on Taxable Expenses (VATP040):** Recent FTA updates (private clarification) now require companies to demonstrate engagement in making taxable supplies, even if taxable expenses exceed AED 187,500 without sales.



2. Challenges in Corporate Tax (CT) Registration:

- **Confusion Between Existing and New Accounts:** Many VAT-registered businesses mistakenly apply for CT registration via a new FTA account instead of their existing one.
- **Missing or Expired Documents:** CT registration requires valid documents (trade licenses, MOA, Emirates IDs); incomplete/expired submissions lead to rejections.
- **Legal Entity Misunderstanding:** Sole establishments, branches, non-resident, offshore, and free zone companies often struggle to determine if separate CT registrations are needed.
- **Free Zone & Qualifying Income:** Free zone businesses are confused about CT registration, especially concerning qualifying vs. non-qualifying income for the 0% CT incentive.
- **Trade License vs. Actual Business Activities:** Mismatch between trade license activities and actual operations can trigger FTA queries during registration.
- **Delayed Registrations & Penalties (Cabinet Decision No. 40 of 2017):** Missing FTA's CT registration deadline incurs an AED 10,000 penalty.
- **Difficulties for Non-Resident Taxable Persons (CTP001):** Complex rules for non-residents earning UAE revenue without a UAE trade license require determining tax status (Permanent Establishment (PE), Nexus, or Place of Effective Management (POEM)). Practical challenges include eligibility, financial period selection, complex analysis of PE/Nexus/POEM, and lack of UAE-based documentation.

3. Common Challenges Across VAT & CT:

- Lack of awareness about deadlines and requirements.
- Errors in Arabic translations of trade names/documents.
- Difficulty navigating the FTA portal for first-time users.
- Unclear guidelines for foreign-owned businesses and multiple branches.

Legal Type Issues in the FTA Portal: Businesses lack clarity on actions needed when there's a legal type change (e.g., LLC to Sole Establishment) or ownership change. This often leads to confusion on whether to continue using the same TRN or if a new registration is required.

How to Overcome These Challenges?

- **Stay Updated:** Regularly check FTA circulars and guidelines.
- **Engage Professionals:** Work with certified tax consultants.
- **Plan Ahead:** Ensure all documents are updated before applying.
- **Leverage Technology:** Use accounting software for accurate tracking.
- **Update KYC:** Update KYC documents in the portal within 20 business days of change.

Legal Type Changes: For legal type changes:

- Apply for de-registration of old VAT and CT within FTA specified timelines.
- Register the new legal entity for CT within 3 months of change.
- For VAT, re-register the new entity once it crosses the voluntary threshold.

Conclusion:

VAT and Corporate Tax registration are critical compliance requirements in the UAE. While processes seem straightforward, challenges like documentation errors, portal glitches, and legal misunderstandings can cause delays and penalties. Proactive planning and professional support ensure smooth registration and prevent penalties.



5) Place of Supply for Real Estate (Goods) - By Amrutha Mukundan



The supply of real estate (e.g., sale or lease of property) is classified as a supply of goods under UAE VAT. The place of supply is determined by where the real estate is physically located. Therefore, if the property is in the UAE (excluding Designated Zones), the supply is subject to UAE VAT, regardless of whether the seller or buyer is outside the UAE.

Real Estate-Related Services:

If a service is directly connected to real estate, the place of supply is also where the real estate is located. This includes:

- Grant, assignment, or surrender of any interest, right, or license related to real estate, including the provision, lease, and rental of sleeping accommodation (e.g., hotel rooms).
- Services by real estate experts or agents.
- Services involving preparation, coordination, and performance of construction, destruction, maintenance, conversion, and similar work.

If the property is in the UAE, such related services are taxed in the UAE.

Examples of Real Estate-Related Services (VAT Applies in UAE if Property is in UAE):

- Selling or leasing property
- Property management and agency services
- Hotel room rentals
- Construction work tied to a specific site

Examples of Services Not Directly Related to Real Estate (Follow General VAT Rules):

- Seconding staff to a construction site
- General real estate market advice
- Drafting plans for unspecified sites
- Property investment portfolio management
- Advertising (e.g., billboard rentals)

When services are mixed (some land-related, some not), it must be determined if they are separate supplies (each assessed individually) or a single composite supply (which follows the VAT rule of the main supply).



Non-Resident Landlords:

There is no VAT registration threshold for non-residents. If they make taxable supplies in the UAE, they must register for VAT immediately. The reverse charge mechanism does not apply to real estate. If a non-resident has a fixed establishment in the UAE (e.g., staff or agents managing property locally), they may be treated as a UAE resident for VAT purposes.

Real Estate in Designated Zones:

Property located in a Designated Zone (as defined by UAE VAT law) is outside the scope of VAT if sold or leased to another business for business use. In such cases, no VAT is charged on the sale or lease. However, real estate-related services (e.g., hotel accommodation, estate agency, construction) performed within Designated Zones are subject to VAT at the standard rate (5%).

6) Navigating Cryptocurrency Laws and Compliance in the UAE: A Legal and Regulatory Deep Dive - **By Pavan Kumar**



The UAE has emerged as a global hub for digital assets, implementing a structured legal framework that fosters innovation while ensuring rigorous compliance with FATF recommendations and preventing illicit activities. This article explores the UAE's cryptocurrency laws and compliance considerations.

1. Regulatory Authorities and Their Jurisdiction:

The UAE's regulatory environment is decentralized:

- **Virtual Assets Regulatory Authority (VARA):** Established in 2022 in Dubai (excluding DIFC) to oversee Virtual Asset Service Providers (VASPs), enforcing the Virtual Assets and Related Activities Regulations 2023.
- **Abu Dhabi Global Market – Financial Services Regulatory Authority (ADGM FSRA):** Regulates virtual asset activities within the ADGM free zone, known for its comprehensive framework since 2018, requiring licensing for exchanges, brokers, and custodians with strict AML/CFT measures.
- **Dubai Financial Services Authority (DFSA):** Oversees Dubai International Financial Centre (DIFC) and has its own regime for investment tokens and digital assets.
- **Securities and Commodities Authority (SCA):** Federal authority regulating securities, commodities, and virtual assets outside free zones, coordinating with VARA, ADGM FSRA, and DFSA.

2. Core Legal Frameworks:

UAE crypto regulation is based on:

- Federal Decree-Law No. (20) of 2018 – Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).
- Federal Decree-Law No. (47) of 2022 – Corporate Tax Law.
- Cabinet Decision No. (111) of 2022 – Taxable and Qualifying Income for Free Zones.

Virtual Assets and Related Activities Regulations 2023 – Issued by VARA, defining licensing requirements. These frameworks align with FATF's guidance for VASPs.



3. Licensing Obligations for Virtual Asset Service Providers (VASPs):

Operating a cryptocurrency business in the UAE without a license can lead to significant penalties, including fines (AED 100,000 to AED 10 million), imprisonment, and blacklisting. Licensing is activity-specific; a custody license does not automatically permit exchange services. Many mistakenly assume free zone incorporation grants crypto trading rights; separate VARA, ADGM, or DFSA licenses are often required for regulated activities.

4. Anti-Money Laundering (AML) and Compliance:

Federal Decree-Law No. (20) of 2018 mandates robust KYC frameworks for VASPs, including customer identity verification, risk-based profiling, and ongoing transaction monitoring. All VASPs must register with the Financial Intelligence Unit (FIU) to report transactions above thresholds, unusual patterns, or high-risk interactions. A minimum of five years of record-keeping (transaction logs, client details, wallet addresses) is required and must be accessible for authority inspections.

Qualifying vs. Non-Qualifying Crypto Activities

The 0% Corporate Tax (CT) rate for Free Zone Persons (FZPs) applies only if cryptocurrency activities align with the Ministry of Finance's "Qualifying Activities" list.

I. Crypto Activities & Taxability:

- **Permitted (0% Tax):** Long-term holding of crypto assets (≥ 12 months) as investments, trading of commodity-backed tokens on approved exchanges, and ancillary services for group entities.
- **Excluded (Taxed at 9%):** Active trading of cryptocurrencies (frequent buying/selling), crypto mining, NFT minting, or blockchain development as core revenue streams, and payment processing involving crypto/fiat conversions.
- **Key Takeaway:** The 0% rate is for passive investment or regulated commodity-linked activities; business-oriented crypto operations typically disqualify FZPs.

II. Loss of 0% Status: Key Exceptions:

- **A. Failure to Meet "Qualifying Free Zone Person" (QFZP) Criteria:** FZPs must satisfy all four requirements: adequate substance (physical office, full-time employees, assets), "Qualifying Income" dominance (non-qualifying revenue not exceeding 5% of total revenue or AED 5 million, whichever is lower), Transfer Pricing compliance, and audited financial statement submission.
- **B. Regulatory Non-Compliance:** Crypto service providers (VASPs) need licensing from ADGM (FSRA), DMCC (VARA), or other authorities. Unlicensed operations void the 0% tax benefit.
- **C. De Minimis Threshold Breach:** If revenue from non-qualifying crypto activities (e.g., mining, trading) exceeds 5% of total revenue/AED 5 million, all income becomes subject to 9% tax.

III. Compliance and Risk Mitigation Strategies:

- **Segregate Activities:** Use separate legal entities for qualifying (e.g., long-term holdings) and non-qualifying activities (e.g., trading).
- **Licensing:** Obtain VASP licenses from relevant regulators.
- **Document Substance:** Maintain leases, payroll records, and asset registers to prove physical presence.
- **Monitor Revenue Streams:** Track non-qualifying income monthly to avoid breaching the de minimis threshold.

IV. Penalties for Non-Compliance:

- Loss of 0% tax status (retroactive application possible).
- Fines for unlicensed VASP operations.
- Back taxes + interest on unreported taxable income.

Scenario	Legal Basis	Tax Outcome
Crypto holding (≥ 12 months)	Qualifying investment activity	0%
Active trading/mining	Non-qualifying activity	9%
Unlicensed VASP services	Regulatory violation	9% (+ penalties)
Non-qualifying revenue > de minimis	Cabinet Decision No. 100/2023	9% on all income
Inadequate physical substance	QFZP requirements	9%

Practical Recommendations:

- Long-term crypto holdings (≥ 12 months) are safest for 0% tax.
- Separate business activities (e.g., trading) from investments using distinct legal entities.
- Obtain VARA/FSRA licensing and document compliance annually.
- Monitor revenue streams to avoid breaching the 5% de minimis threshold.

Conclusion:

While UAE free zones offer attractive 0% corporate tax rates, crypto entities must align operations with "Qualifying Activities," maintain QFZP status, and secure regulatory approvals. Proactive structuring, licensing, and compliance monitoring are crucial to preserve tax benefits. High-frequency trading, mining, or unlicensed services should expect standard 9% taxation.

SPECTRUM UPDATES

Navigating the Tariff Tide: How Trade Barriers Are Reshaping Businesses and Global Economies

Tariffs, government-imposed taxes on imports, are reshaping global economies as trade tensions escalate. For UAE businesses, understanding these barriers is crucial for maintaining profitability, especially as the US-China tariff truce may expire soon.

Decoding Tariffs: What They Are and Why They Matter

Tariffs are economic gatekeepers designed to make foreign products pricier, favoring domestic alternatives to protect jobs, fill treasury coffers, and serve as diplomatic tools. Historically, tariffs like the Smoot-Hawley Act deepened depressions. Today, they manifest as ad valorem (percentage of value) or specific (fixed fee per unit) duties.

Since August 7, 2025, U.S. effective tariff rates are above 17% (highest since Great Depression), with potential spikes to 34% on Chinese goods if no extension is agreed, and even 80% in extreme cases. Additional measures include 100% on chips and the end of de minimis exemptions for low-value packages from August 29. These measures, driven by trade imbalances and geopolitical leverage, can add significant costs to households (e.g., \$2,400 for typical U.S. household in 2025), fueling inflation.

The Double-Edged Sword for Businesses:

Tariffs are a stealth tax for importers and a market barrier for exporters.

- **Rising Costs and Supply Chain Disruptions:** A tariff hike can spike import costs (e.g., 25% for electronics from China), forcing price increases or margin squeezes. This disrupts global supply chains, increasing input prices (e.g., EU duties on Chinese EVs impacting automakers reliant on Asian batteries).
- **Opportunities in Protectionism:** Tariffs can boost protected domestic industries (e.g., U.S. steel). In the UAE, free zones like Jebel Ali offer exemptions, acting as re-export hubs, which PwC notes are seeing increased demand as firms realign supply chains to circumvent global duties. Tariffs encourage diversification to untapped markets.

Tariffs on the Global Stage: Impacts on Economies:

Tariffs promise protection but often deliver inflation and slowed growth.

- **Economic Wins and Losses:** While tariffs generate billions in revenue and shield "infant industries," retaliation breeds trade wars. The World Trade Organization projects unchecked escalations could
- trim global GDP by 2-3% by 2030, with developing economies suffering most (e.g., slowing China's
- growth). Tariffs disrupt global supply chains.



SPECTRUM UPDATES



- **Recent Escalations:** The Trump Era 2.0: 2025 sees Trump's framework imposing duties on dozens of countries, with China facing additional hits. Executive Order 14257 modifies reciprocal rates, while new EU EV tariffs signal rising protectionism, straining alliances.

UAE'S OASIS IN THE TARIFF STORM:

The UAE actively counters tariff impacts through strategic policies.

- **Leveraging Free Trade Agreements:** The UAE's Comprehensive Economic Partnership Agreements (CEPAs) are game-changers. By August 2025, the nation has inked five new deals this year (totaling 26, including Azerbaijan (July) and Russia). Plans for 3-6 more aim to grow non-oil trade to \$1.1 trillion by 2031. CEPAs like UAE-Jordan notably eliminate duties on over 98% of lines, allowing free zone goods preferential treatment and enhancing UAE exports in logistics, tech, and energy.

STRATEGIC ADVICE FOR UAE BUSINESSES:

At Spectrum Auditing, we urge clients to:

- Audit tariff exposures and diversify suppliers via CEPAs to avoid single-region risks.
- Leverage free zones for assembly/distribution to change a product's "country of origin," bypassing tariffs.
- Enhance value-added manufacturing to transform imports into higher-value exports, reducing commodity exposure.
- Stay informed and monitor policies like the looming US-China deadline; use risk assessments to forecast scenarios.

CHARTING A COURSE THROUGH UNCERTAIN WATERS:

Tariffs are economic challenges demanding agility. The UAE's free-trade environment offers refuge and opportunities. Understanding tariff mechanics, anticipating impacts, and implementing proactive strategies are key to mitigating risks and seizing gains. Spectrum Auditing stands ready to guide you. Contact us for tailored insights in this ever-changing trade landscape.

You can share your thoughts on trade tariffs to: info@spectrumaccounts.com

Mission Visa - By Prasad Reddy

A Mission Visa is a short-term UAE work permit for skilled professionals, valid for up to three months (extendable to six). It allows businesses to temporarily hire experts while staying compliant with local labour laws, avoiding the complexities of standard employment visas.



Employer Criteria:

- Valid Trade Licence: Active trade license (mainland) or free zone equivalent.
- Establishment Card: Valid and in good standing with MOHRE or relevant free zone authority.
- Approved Mission Visa Quota: From MOHRE or free zone authority.
- Compliance Record: No outstanding labor fines or blacklisting.

Employee Criteria:

- Minimum Age: 18 years or older.
- Passport Validity: Minimum six months.
- Qualifications: Relevant attested academic/professional certificates for skilled roles.

Duration, Renewal, and Exit:

- Initial Validity: 90 days from entry.
- Extension: Once for an additional 90 days (total 180 days). Some jurisdictions require exiting the UAE and reapplying.
- After Completion: Employee must leave UAE, apply for extension (if permitted), or transition to another visa if offered a new role.



Ready to Proceed?

At Spectrum Accounting LLC, our dedicated team provides comprehensive support throughout the Mission Visa process—including application preparation, documentation, and ensuring full regulatory compliance. We streamline the entire process to deliver efficient and compliant visa issuance tailored to your specific business requirements.

Additionally, Spectrum Corporate Services leads as a specialized business formation company in the UAE, providing swift and reliable company setup services including:

- Business setup solutions
- Instant trade licenses with virtual office options
- PRO services
- Tax and legal advisory
- Visa and license renewals
- Trademark registration and certificate attestation

We also offer expert services in:

- Audit & Assurance
- Value Added Tax (VAT)
- CFO & Accounting
- Corporate Tax & Transfer Pricing
- Risk Advisory

With Spectrum Corporate Services, expect a seamless, professional, and efficient experience tailored to your business needs.

Quick Overview:

Aspect	Details
Sponsor	UAE-registered company + MOHRE quota approval
Duration	90 days (extendable once to total 180)
Entry type	Single entry only
Key documents	Trade license, passport, qualification certificate
Process Duration	3-5 working days
Risks	Overstay leads to fines



Celebrating **CA INDHUMATHI** – JULY 2025 Employee of the Month

At Spectrum Auditing, we believe in recognizing contributions that make a real difference in the workplace. For the month of July 2025, we are delighted to honor CA Kethepalli Indhumathi as our Employee of the Month.

Through her exceptional dedication, strong performance, and professional approach, she has made a significant impact on the team's success. By consistently demonstrating reliability, initiative, and a commitment to excellence, she has set an inspiring example for everyone around her.

We are proud to recognize her valuable contributions and extend our heartfelt congratulations. We wish her continued success in every task she undertakes.



TRAINING & WEBINAR

TRAININGS

As part of our continuous learning initiative, we recently conducted a series of internal trainings covering both technical and personal development areas. The sessions included a detailed workshop on **Corporate Tax filings**, equipping the team with practical insights on EmaraTax procedures, documentation, and compliance requirements. Trainings on **IAS 10 (Events After the Reporting Period)** and **IAS 8 (Accounting Policies, Changes in Estimates, and Errors)** enhanced our understanding of key accounting standards, ensuring more transparent and reliable financial reporting. A focused session on **VAT errors** highlighted common mistakes in returns, reconciliation practices, and the process of making timely voluntary disclosures.

Alongside technical learning, we also introduced **spoken English development classes** aimed at improving fluency, grammar, and professional communication skills. These initiatives collectively strengthen our compliance knowledge, reporting accuracy, and interpersonal effectiveness, reflecting our commitment to both professional excellence and personal growth.



Upcoming Webinar on **28th August 2025** - Register!

WEBINAR

CORPORATE TAX - WHAT YOU NEED TO KNOW FOR 2025

28 AUGUST, 2025

STARTS AT 3:30 PM (UAE TIME)

zoom

CA Balarum Vuchidi
CEO - Spectrum Group

CA Girish Ramwani
CT Lead - Spectrum Auditing

www.spectrumaccountants.com

Webinar on **28 August 2025**:

Topic:

First UAE Corporate Tax Return: Key Elections, Schedules & QFZP Benefit Explained

Date: **August 28, 2025, Thursday**

Time: **3:30 PM (UAE Time)**

Meeting Platform: **ZOOM**

Speakers:

CA Balarum Vuchidi, CEO - Spectrum Group

CA Girish Ramwani, CT Lead - Spectrum Auditing

Register:

<https://forms.office.com/r/fedtjgZqze>

Spectrum Times

Your monthly journey through insights, updates, and opportunities in the world of business and finance.



SPECTRUM AUDITING

AUDIT. CONSULTING. TAX. ACCOUNTING

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