



Comprehensive Financial Services

NEWSLETTER

JUNE-JULY 2025

The June–July edition of the MICS Newsletter covers the trends and shifts shaping global investment and structuring decisions — from Oman’s personal income tax law to HNWI migration patterns, DIFC/ADGM’s rise as global family wealth hubs, and the growing impact of Pillar Two on cross-border tax planning. It also explores real estate-led Golden Visa strategies, IP structuring across RAK and Malta, and why Quality of Earnings is becoming non-negotiable in deal-making.



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FROM THE FOUNDER'S DESK

At MICS International, we believe real insight comes not from the headlines, but from what they mean for your capital, your clients, and your next move.

In this edition, we track the shifts that matter – from Oman's landmark step toward personal income tax, to the UAE's growing lead in global wealth structuring. We break down where the mobile millionaire is heading (UAE, Singapore, or the UK), how DIFC and ADGM are evolving into the next Switzerland, and what makes RAK and Malta competitive choices for structuring digital and brand assets.

We also decode strategies that convert real estate into both yield and residency, explain why EBITDA is no longer the metric investors rely on, and walk through a VAT refund case that proves the gap between knowing the law and working the system.

For families, founders, and funds alike, Pillar Two, cross-border risk, and structuring choices between RAK ICC and ADGM Foundations are fast becoming high-stakes decisions. We cover them with the context and caution they demand.

As always, we focus on practical implications, not just headlines. Whether you're advising clients, allocating capital, or planning your next move, we hope this edition helps you navigate with clarity and confidence.

Happy reading,
Sheetal Soni
Partner, MICS International



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Oman's Personal Income Tax Law – A Regional Ripple Effect?

The Sultanate of Oman made GCC history in 2025 by enacting the region's first personal income tax (PIT). Royal Decree 56/2025, issued 22 June 2025, introduces a 5% tax on high earners starting 1 January 2028. The tax applies only to individuals with annual gross income over OMR 42,000 (≈USD 109,000) effectively targeting roughly the top 1% of earners while 99% of the population remains untouched. By setting one of the world's highest tax thresholds and a modest rate, Oman is signaling a "socially sensitive" approach, aiming to boost non-oil revenue without alienating the public.

Why this move, and why now? Oman's introduction of PIT is driven by fiscal reality and vision. The country has implemented corporate tax, VAT, and excise taxes in recent years; PIT was the missing piece for a more complete tax system. It aligns with Oman's Vision 2040 goals of diversifying the economy and fortifying the social protection system. With oil revenues volatile, a broadening tax base – however limited initially – is a prudent step to reduce reliance on hydrocarbons. Importantly, Omanisation goals factor in: analysts note the PIT will disproportionately affect expatriates (who make up many high earners), possibly nudging employers towards hiring more Omani nationals to reduce tax exposure. In essence, the tax could advance Oman's push to increase citizen employment by making very costly expat packages slightly less attractive.

The regional ripple effects are already being debated. Will other GCC states follow suit? In the short term, likely not. Oman's neighbours are watching closely, but most enjoy comfortable fiscal positions thanks to oil windfalls or existing taxes (like the UAE's new corporate tax and Saudi Arabia's VAT and expat levies). **Oman's PIT is set at just 5%** and impacts only high incomes, so it may not immediately scare talent away – but it does chip at the GCC's tax-free mystique.

For high-net-worth individuals in the region,

Oman's move underscores a trend: the era of zero personal tax in the Gulf is not guaranteed to last forever. We might see wealthy residents of Oman consider relocating to no-tax jurisdictions (UAE, Qatar) if the costs outweigh the benefits, although Oman's threshold is so high that very few will leave over 5% on incremental income above ~\$109k (and Oman remains low-tax compared to global norms, even after PIT).



UAE vs Singapore vs UK: Which Jurisdiction is Winning HNWI Migration?

The competition to attract high-net-worth individuals (HNWIs) – and their capital – has intensified between global hubs. In 2023, the UAE emerged as a clear winner in millionaire migration, and that trend is accelerating. Henley & Partners data shows the UAE saw a net inflow of about 4,500 millionaires in 2023, the second-highest globally (after Australia) and a continuation of its record influx in 2022. By 2025, projections suggest the UAE could attract nearly 9,800 HNWIs in a single year, far outpacing other destinations. Several factors power the UAE's appeal: zero income tax, new Golden Visas, world-class lifestyle, and a perception of stability and safety in a volatile world. **Dubai and Abu Dhabi have positioned themselves as cosmopolitan safe havens** – a strategy paying off in droves as wealthy individuals from Asia, Europe, and the Middle East vote with their feet (and wallets).

Singapore, too, continues to draw HNWIs, albeit in a more measured fashion. In 2023 it gained an estimated 3,200 net millionaires, its highest on record. This placed Singapore third globally in 2023 inflows, reflecting its status as Asia's premier wealth hub. Singapore offers a unique mix: efficient governance, excellent education and healthcare, and a strategic location for Asian business – but it has a 22% top income tax rate and costly living, which means it attracts a slightly different profile (often those focused on Asia-Pacific investments and family safety, willing to pay some tax for the environment). Still, Singapore's millionaire population keeps swelling. The government's tighter immigration criteria (high minimum investment and residence requirements) act as a moderate filter, so growth is steady rather than explosive. In the long run, Singapore's cap of available visas and deliberate pacing may restrain its intake relative to the UAE's more open-arms approach.



By Prateek Tosniwal
Partner

The UK, by contrast, has been losing millionaires – a stark reversal for a country that once prided itself on being the global rich person’s playground (think Mayfair clubs and Knightsbridge penthouses). Henley’s 2023 report estimated a net outflow of 3,200 HNWIs from the UK, doubling the previous year’s exodus. This made Britain the third-biggest loser of millionaires in the world (after China and India). The reasons read like a case study in how to drive away wealth: Brexit eroded London’s allure and ease of European access; the UK government’s crackdowns on non-domiciled tax status and higher tax rates have undercut a key advantage that once attracted global elites; and a general sense of political uncertainty and deteriorating public services (plus London’s rising crime) have “tarnished the lustre” of the UK in the eyes of the affluent. In short, many rich Britons (and international investors) no longer feel welcome or secure in the UK, and are relocating to more hospitable jurisdictions – notably the UAE, but also spots like Monaco and Switzerland. Indeed, the UK’s outflow is expected to worsen: forecasts for 2025 see as many as 16,000 millionaires leaving the UK, an almost unprecedented flight of wealth that underscores how dramatically the tables have turned.

So, which jurisdiction is “winning” the HNW migration race? By the numbers, the UAE currently holds the crown. Its net inflows are not only high but climbing, with the Middle East becoming a “superstar” region for wealth growth led by the UAE’s magnetism. Singapore is also a winner, but in a more niche way – it dominates its region and steadily gains, but can’t match the raw pace of the UAE’s growth.

The UK is the clear loser at present, haemorrhaging millionaires it can ill afford to lose. Beyond the leaderboard, the story is about policy choices: the UAE’s low-tax regime and innovative visas have given it an edge, Singapore’s balanced approach maintains its strong appeal, and the UK’s policy shifts have unfortunately made it less competitive for mobile wealth. In a globalized economy, HNWIs are “shopping” for homes more than ever, and jurisdictions that get the recipe right – economic opportunity, lifestyle, and predictable policy – are reaping the rewards. Right now, that recipe is cooked to perfection in the UAE, simmering nicely in Singapore, and spoiled in the UK. The race isn’t static, however. Each jurisdiction is likely to respond: the UK may attempt incentives to lure back investors (or risk a continued brain drain), Singapore might further refine its programs to selectively grow, and the UAE will certainly strive to maintain its hard-won lead by ensuring the new residents put down deep roots.

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SHWETA SONI
PARTNER

ADGM and DIFC: The Rise of Global Family Wealth Platforms

Over the past decade, Abu Dhabi Global Market (ADGM) and Dubai International Financial Centre (DIFC) – the UAE’s two flagship financial free zones – have quietly transformed into world-class platforms for managing family wealth. Once primarily known as banking and finance hubs, ADGM and DIFC are now go-to jurisdictions for family offices, trusts, and private wealth structures, serving not just regional dynasties but families from Europe, Asia, and beyond. The numbers tell part of the story: Dubai alone is home to 120 of the world’s richest families (combined net worth over \$1 trillion) and more than 100,000 HNWI.

Many of these families have anchored their wealth operations in DIFC/ADGM, drawn by the robust legal frameworks modelled on English common law and the array of structuring vehicles on offer.

A key innovation was the introduction of foundations. DIFC and ADGM introduced foundation regimes in 2018 and 2017 respectively, providing a civil-law style entity (with no shareholders) ideal for asset protection, succession planning, and charity. The free zones also allow trusts and special purpose companies, but foundations have been a game changer – they offer the control of a trust with the legal personality of a company. Notably, RAK International Corporate Centre (RAK ICC) in Ras Al Khaimah followed suit with its own foundation regulations in 2019, signalling that multiple UAE jurisdictions are competing in this space. Whether through an ADGM foundation holding global real estate and investments, or a DIFC Single Family Office company managing inter-generational assets, wealthy clans are finding bespoke solutions in the UAE. The government actively encourages this: in 2022, the UAE launched an initiative to double family-owned businesses’ GDP contribution by 2032, part of which involves making the UAE an attractive domicile for family wealth.



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Why are ADGM and DIFC so attractive to global families? First, legal certainty and quality regulation. Both operate under internationally respected legal systems (with independent common-law courts) and clear rules for foundations, trusts, and family offices. Families get the benefit of offshore entities with the substance and reputation of onshore jurisdictions – a stable “home away from home” for wealth. Second, tax and treaties: The UAE imposes no personal income tax, no inheritance tax, and zero tax on most foundation or trust income. Even with corporate tax now in effect, family structures can often qualify for 0% (for example, ADGM foundations can be treated as unincorporated partnerships for tax, avoiding corporate tax if they limit activities to holding investments for family members). Additionally, the UAE’s extensive network of 90+ double tax treaties is available to structures in ADGM/DIFC, which can mitigate withholding taxes on global investments. Third, confidentiality and control. The free zones allow family governance to be baked into the structures – founders can retain control through council roles or protector positions in foundations. Beneficiaries’ names remain confidential (not publicly registered) which is a significant comfort in an era of transparency – privacy remains a luxury that these jurisdictions carefully preserve within legal bounds. Meanwhile, families can trust that, unlike some offshore islands, the UAE will not unilaterally change laws or seize assets – political stability is a huge plus.

We’re also seeing specialized family office regimes emerge. In 2023, DIFC introduced a comprehensive Family Office regulation, including a “50 million USD” net assets test for SFOs and streamlined licensing for those entities. This signals that DIFC wants to maintain quality over quantity – only serious family offices need apply. ADGM, as of mid-2024, was consulting on tailoring its own family office regime (previously it used standard companies/SPVs for family offices). Beyond the UAE, other Gulf states are picking up the trend – e.g. Qatar and Bahrain launched their own family office frameworks in 2023, inspired in part by the UAE’s success. All this reinforces the UAE’s position as the regional leader in private wealth infrastructure.

In practical terms, ADGM and DIFC have become full-service family wealth platforms: a family might set up an ADGM foundation to hold global equities and a DIFC company to manage advisory services, register trusts for specific assets, and even list a family investment fund on NASDAQ Dubai for co-investors – all within the ecosystem. The common law environment, experienced service providers, and forward-thinking regulators make these free zones feel like a blend of Cayman/BVI (flexible entities) and London/New York (sophisticated financial hub). It’s no surprise that global banks and multi-family offices are expanding in DIFC/ADGM to serve this boom. By providing a stable “launchpad” from the Gulf, these jurisdictions allow families to plan for generations ahead, confident that their structures are world-class and future-proof. As one legal expert put it, the UAE should now be viewed worldwide as a stable option for family office planning, on par with traditional offshore centers – an astonishing rise for hubs that didn’t even exist two decades ago.

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Cross-Border Tax Risk in the Post-Pillar Two World

The international tax landscape has entered a new era with the implementation of the OECD's Pillar Two global minimum tax, and cross-border tax planning will never be the same. In this post-Pillar Two world, multinational businesses face heightened risks of additional tax bills and conflicts between jurisdictions, forcing a reassessment of classic offshore strategies. The core change is the 15% global minimum effective tax for large multinationals (consolidated revenues \geq EUR 750 million) – no matter where they operate, profits in any country will be taxed at least at 15% either locally or via a top-up tax by another country.

For decades, companies could shift profits to zero-tax or low-tax entities (in, say, Bermuda or a UAE free zone) to materially cut their global ETR. Now, if they do, Pillar Two simply claws back the difference. The result? Tax haven entities no longer confer a lasting benefit for in-scope MNEs – any tax saved in haven X will be collected by jurisdiction Y through the income-inclusion or undertaxed payments rule. This fundamentally alters cross-border structuring: the incentive to park IP or capital in a very low-tax country is diminished, since the group will pay 15% regardless.

However, Pillar Two also brings compliance complexity and uncertainty, which is a risk of its own. Different countries are implementing the rules with slight variations and at different times. For example, Qatar passed its Pillar Two legislation in early 2025 with a domestic top-up tax and income-inclusion rule. The EU and UK have their versions, the UAE has its DMTT starting 2025, while the US has not (as of now) aligned fully, relying on its own GILTI regime. This patchwork means a multinational could face overlapping claims to top-up tax – which country gets to tax the low-taxed income? The rules have ordering principles (IIR first, then UTPR), but navigating these will be tricky. Companies must model scenarios where, say, a UAE entity's income under 9% tax triggers a 6% top-up by a European parent, and ensure they aren't also hit with any local measures. Indeed, some GCC countries may introduce their own measures for below-15% entities to preempt others taxing income arising in their territory – Qatar's new law and Saudi Arabia's ongoing framework discussions indicate as much.



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The risk of double taxation or compliance penalties grows if structures aren't adjusted. A prime example is the use of intercompany payments across borders. In a pre-Pillar Two world, a company might route royalties from a high-tax subsidiary to a low-tax group IP company. Now, if that IP company's jurisdiction has <15% tax, the payer's country might deny deductions or impose withholding, and a top-up tax could apply elsewhere. Also, any arrangement that looks like aggressive profit shifting will be under sharper scrutiny – anti-avoidance rules (like GAAR) are being actively deployed alongside Pillar Two to attack transactions deemed artificial. In practice, multinationals must document real substance and business purpose for any cross-border structuring more rigorously than ever. Economic Substance Rules (ESR) in places like the UAE (now integrated into corporate tax compliance) still apply – so an IP entity in a free zone needs actual employees and activities, or not only will it fail ESR (with penalties) but its income may be reallocated or taxed fully elsewhere.

Medium-sized companies below the Pillar Two threshold aren't immediately caught by the 15% minimum, but they can't be complacent either. The global push for tax transparency and fairness is trickling down: transfer pricing enforcement is ramping up in the GCC (UAE and KSA have new TP filing requirements and are increasing audits), and beneficial owner disclosures and AML rules mean it's harder to hide behind complex chains. Notably, Saudi Arabia from 2024 extended its transfer pricing bylaws to all taxpayers including Zakat payers, mandating arm's-length pricing even for purely local group [sey.com](https://www.sey.com). This underscores that even in zero-income-tax contexts, related-party dealings are under the microscope. The message: cross-border (and even intra-group) arrangements must be defensible on genuine commercial grounds, with proper documentation. The cost of non-compliance – fines, adjusted incomes, reputational damage – is simply too high. For instance, failing to file the new UAE TP disclosure or Master file can trigger monetary penalties and increased audit risk.

In sum, the post-Pillar Two environment demands a more holistic and substance-driven approach to international tax structuring. Companies should simplify convoluted offshore networks (they won't deliver tax savings now), ensure profit aligns with value-creating activities (which is what both TP and Pillar Two seek to enforce), and perhaps re-evaluate holding locations based on business considerations rather than tax alone. There is even a strategic upside: groups that proactively adapt will have more certainty on their effective tax rate (a steady ~15% for large MNEs) and can focus on operational excellence. The era of chasing the last fraction of a percent in tax arbitrage is waning; resilience, predictability, and compliance robustness are the new priorities in cross-border tax planning. Those who don't heed this shift risk being caught in costly disputes or paying taxes in multiple places – the very nightmare that the old "double non-taxation" paradigm has flipped into "double taxation" if one isn't careful. The takeaway: in a Pillar Two world, you can't beat the system with clever geometry – you must align with the new rules or get hit from all sides.



RAK ICC VS ADGM FOUNDATIONS: WHAT WORKS FOR GLOBAL FAMILIES

By Sheetal Soni | Partner

When crafting holding structures for global families, two UAE options often come to the forefront: a RAK ICC company or an ADGM foundation. They represent different approaches – one a traditional international business company, the other a modern foundation – each with strengths depending on a family's needs. RAK ICC (Ras Al Khaimah International Corporate Centre) is essentially an offshore company registry within the UAE, offering cost-effective incorporation of holding companies (commonly used for assets like real estate, portfolio investments, or shares in operating businesses). ADGM foundations, by contrast, are a distinct legal vehicle with no owners (akin to a trust) established under ADGM's 2017 Foundations Regulations, designed for wealth preservation and succession.

For global families, the choice hinges on priorities: simplicity and low cost versus structured governance and legacy planning. A RAK ICC company is straightforward – it's a flexible limited company that can hold assets worldwide, is easy to set up (often in 1–2 weeks) and inexpensive to maintain. RAK ICC entities allow 100% foreign ownership, no corporate tax on passive income, and even offer access to UAE's wide tax treaty network if managed and controlled from the UAE (they can obtain tax residence certificates in many cases). This makes them attractive for holding shares or intellectual property: e.g. a family might use a RAK ICC company to hold a London property or a stake in an African operating company, potentially leveraging UAE's treaties to reduce withholding taxes on dividends. However, RAK ICC companies lack built-in succession tools. They are share-owned vehicles, so if the patriarch/matriarch passes, those shares form part of the estate. One can add layers (like holding the shares through a trust or foundation, or using a shareholders' agreement), but the company itself doesn't inherently solve inheritance or governance questions.

On the other hand, an ADGM foundation is purpose-built for dynastic planning. It has no shareholders – instead it's managed by a council according to a charter and by-laws, which can encode the family's long-term wishes. Assets transferred into the foundation are owned by the foundation itself (an "orphan" structure), providing a layer of asset protection (creditors of a family member have a harder time accessing assets once settled in a foundation) and ensuring continuity beyond the founder's lifetime. Foundations allow very granular governance: for example, the by-laws can stipulate that certain decisions (like selling a family business) require approval of all adult family members, or that distributions to younger beneficiaries happen only after certain ages. A RAK ICC company cannot do that – it would require external agreements. Moreover, foundations ease multi-generational transitions: heirs don't inherit foundation "shares" (there are none); instead, they can be named beneficiaries who benefit per the charter's rules, reducing potential estate disputes. ADGM (and similarly DIFC) foundations are also recognized in many jurisdictions and can hold various asset classes (bank accounts, real estate, portfolio investments) directly. Banks are increasingly familiar with them, though sometimes additional KYC is needed since they're not as traditional as companies.

Cost and complexity mark the trade-off. A RAK ICC company is cheaper – RAK ICC has been marketing itself as a cost-efficient alternative to the likes of BVI, with lower setup and annual fees than the big financial center zone. Foundations in ADGM/DIFC are more expensive to establish and maintain (due to registration fees, possibly audits, and requirements like having a local registered agent). They also demand a bit more formalism: you need to appoint a council (at least two members) and, in ADGM's case, a guardian for oversight if the founder and council might be the same person in effect. Families must consider whether those governance features are necessary for their situation. If the goal is simply to hold investment assets short-term or passively, and the family has other means of estate planning, a RAK ICC company might suffice – it's quick to deploy and widely accepted for things like owning a rental property or a family's trading portfolio. For example, RAK ICC is often used to hold real estate investments (locally or abroad) because it's straightforward and can own property in Dubai's designated areas or abroad with relative ease.

However, if the goal is long-term preservation and legally enforced succession, the ADGM foundation is likely the better tool. Families frequently use a combination: the "RAK + ADGM combo" is not uncommon, where a RAK ICC company holds certain assets but that company is itself owned by an ADGM foundation. This way, the day-to-day assets are in a cheap, flexible vehicle, but ultimate control rests with the foundation which ensures continuity. In such a structure, the foundation might be the shareholder of the RAK ICC companies, and the family members are beneficiaries of the foundation. It's a best-of-both-worlds approach – RAK ICC for operational simplicity, ADGM foundation for strategic governance. We often advise global families that RAK ICC companies work well for holding specific assets or ventures, especially when treaty benefits or low fees are important, whereas foundations work well as the "family chest" that owns those companies or high-value assets to safeguard the family's vision across generations.

In summary, RAK ICC vs. ADGM foundation is not an either/or but a question of layering the right tools. Use RAK ICC companies when you need a straightforward holding entity with minimal fuss and expense (for instance, a global family might set up separate RAK entities for each international property to keep them ring-fenced). Use ADGM (or DIFC) foundations when you need a bedrock structure to anchor family governance, asset protection, and succession. In a sense, RAK ICC is about efficiency and flexibility, while an ADGM foundation is about control and resilience. The good news is the UAE offers both, and they can be dovetailed elegantly. Our experience with clients shows that taking the time to establish a foundation for core holdings, then letting it deploy simpler RAK (or ADGM/DIFC SPV) companies for individual assets or investments, provides a robust yet agile family holding architecture. This approach leverages what works best for global families: the foundation guards the legacy and intent, and the companies conduct business and hold assets under the foundation's umbrella.

IP HOLDING IN RAK VS MALTA: STRUCTURING FOR DIGITAL AND BRAND ASSETS

Intellectual property – whether software code, patents, or valuable trademarks – is a highly mobile asset class, and choosing where to park your IP can significantly impact tax efficiency and legal protection. Historically, Malta was a darling for IP holding structures in Europe, while the UAE's RAK (Ras Al Khaimah) is a newer contender offering a zero-tax environment. For businesses and family offices dealing with digital and brand assets, the comparison between a RAK jurisdiction structure (such as a RAK ICC company or RAK ICC Foundation) and a Malta IP holding company is instructive.



Kushal Verma

Manager Corporate and
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Malta's IP holding regime has long offered compelling tax advantages within an EU framework. Malta levies a high headline corporate tax (35%), but thanks to a full imputation system, non-resident shareholders can claim refunds reducing the effective tax to 5% on many types of active income, including royalties. Moreover, Malta imposes no withholding tax on outbound royalties or dividends to non-residents. This means a Maltese IP company can receive royalties from around the world, pay 35% tax, then refund ~30% to the owners, ending with a ~5% effective tax – and can distribute those profits anywhere with no Malta withholding. Additionally, Malta offers specific IP incentives: certain royalties from patents and copyrights are outright exempt from tax, and Malta allows accelerated amortization of IP acquisition costs (as short as 3 years) which further reduces taxable income. Being in the EU, Maltese companies also benefit from the EU Interest & Royalties Directive, which can eliminate source-country withholding taxes on royalties paid between EU companies. For example, a subsidiary in France could pay a royalty to its Maltese parent with 0% withholding under the directive. These features made Malta a very attractive IP hub, especially for European or international businesses who wanted to legitimately minimize tax while staying onshore in the EU. And beyond tax, Malta offers strong IP legal protection and access to EU-wide IP registration systems (via EUIPO)

RAK, on the other hand, offers a zero-tax environment – which at face value beats Malta's 5% effective rate. A RAK ICC company (or a RAK-based free zone company) currently pays 0% corporate tax on foreign-sourced income and can often avoid UAE tax even on domestic income depending on the business (UAE's new corporate tax exempts qualifying passive income in free zones). The UAE also has no withholding taxes on outbound payments, so royalties paid by a UAE entity to foreign recipients aren't taxed by the UAE either. For a business with significant digital and brand revenues (like a software company licensing code globally, or a franchise operation exploiting brand IP), basing the IP in RAK means profits accumulate tax-free. However, two big considerations come up: international tax compliance and substance.

1

First, without the umbrella of EU directives, payments to a UAE entity might attract withholding taxes from source countries unless a tax treaty applies. The UAE has many treaties (90+), but not as many as the EU's internal freedoms. Some countries may not have a treaty with the UAE or have treaties that still allow 5-15% withholding on royalties. Malta's advantage in an EU context was often zero withholding by law of the directive – RAK must rely on bilateral treaties, which vary. For instance, if a German subsidiary pays royalties to a RAK company, one must check the Germany-UAE treaty; if none or if royalties aren't fully relieved, there could be German withholding (whereas a Maltese company could get 0% via EU laws).

From a strategic viewpoint, Malta is great for European-focused IP when one needs a middle-of-the-road tax (5% effective) with EU legal benefits and robust treaties. RAK shines for global IP portfolios especially for investors from Asia or the Middle East who value the zero tax and are perhaps less concerned about EU integration. It's telling that the Middle East's own digital success stories – e.g. some media and tech companies – often restructure through UAE vehicles to keep their IP income within the no-tax zone, especially if Pillar Two doesn't yet apply to them (many are below the EUR 750M threshold).

2

Second, substance requirements are crucial in RAK for IP companies. The UAE introduced Economic Substance Regulations (ESR), and "IP holding" is classified as a high-risk activity requiring robust local substance. A pure IP holding company in RAK that just passively earns royalties is expected to demonstrate significant R&D or management activity in the UAE, or it risks failing ESR (which could lead to penalties and exchange of information to foreign tax authorities). Malta also requires substance (it's not as formalized as ESR, but tax rulings and practice insist on real Maltese presence for IP companies to uphold the structure's legitimacy). But Malta, being in the EU/OECD fold, often got benefit of the doubt if properly structured; UAE entities might face more skepticism abroad if they lack substance, especially post-BEPS. So, a company considering RAK needs to be ready to staff and operate from the UAE – e.g. having IP development or exploitation activities, local employees or contractors managing the IP, etc. The cost of this can eat into the tax savings, but with 0% tax it may still be worthwhile. For digital asset businesses (like those dealing in cryptocurrency or fintech IP), note that RAK is launching the RAK Digital Assets Oasis dedicated to virtual asset companies, indicating an openness to new economy IP. Malta, conversely, became stricter on digital assets under EU pressure.

But one must plan for Pillar Two: if a group using RAK crosses that threshold, the zero tax benefit disappears (15% top-up will apply), whereas Malta's 5% would also be topped up to 15% in a Pillar Two scenario – so ironically both end up at 15% for the largest players. For mid-sized companies below Pillar Two scope, RAK offers an opportunity for 0% that Malta cannot match, provided any withholding tax and ESR issues are managed.

In practice, we evaluate Malta vs RAK on a few criteria:

- 1 Tax outcome after considering withholding** – sometimes Malta's net 5% with 0% withholding beats RAK's 0% with say 10% foreign withholding, or vice versa.
- 2 Business footprint** – if the client needs an EU presence for regulatory or market reasons, Malta may pull ahead.
- 3 Complexity tolerance** – Malta requires dealing with tax refund administration and local auditors; RAK compliance is lighter but ESR is an annual consideration.
- 4 Image and relationships** – in some cases, counterparties (like large Western licensees) are more comfortable paying a company in Malta (EU, regulated) than in RAK; in others, it's not an issue. Increasingly, with the UAE's rising reputation and transparency improvements, RAK entities are accepted broadly.

Ultimately, structuring for IP and brand assets requires balancing tax efficiency with legal practicality. For many modern digital businesses, RAK's straightforward 0% regime is very appealing – especially when paired with ADGM/DIFC structures that add gravitas. We often structure IP in an ADGM foundation (for asset protection and control) that owns a RAK ICC company which earns the royalties. This marries the UAE's no-tax benefit with a solid governance structure. Meanwhile, Malta remains a strong option particularly if EU operations are key – one might even use both: e.g. hold European trademarks in a Maltese company (leveraging EU benefits) and global IP in a RAK entity, each optimized for its arena. With Pillar Two, neither can duck the 15% for big groups, but for the vast majority of IP owners below that threshold, choosing wisely between Malta's low-tax hub and RAK's zero-tax haven can yield a significant competitive edge.

CASE STUDY



A tech entrepreneur from South Asia – let's call her Ayesha – was keen on UAE residency for herself and her family, drawn by the zero income tax and global mobility. She also wanted to invest in UAE real estate as part of her portfolio. With a budget of roughly AED 2.5 million (≈USD 680k), we structured a plan for Ayesha that would secure her a Golden Visa (10-year residency) and yield solid investment returns – a dual-benefit approach that many savvy investors are now taking.

Step 1: Picking the Right Property Investment. Rather than sinking all funds into one ultra-luxury apartment, Ayesha opted to diversify into two properties: one a residential apartment in Dubai Marina (~AED 1.5M) and another a smaller unit in a new development (~AED 1M). This strategy had multiple benefits. Firstly, combined, the properties' purchase price exceeded AED 2M, meeting the Golden Visa real estate investor requirement. We obtained a letter from the Land Department confirming her ownership of properties totaling ≥ AED 2M. Secondly, owning two units meant she could rent out both – generating two rental income streams. Dubai Marina's apartment yields about 7% annually on rent, and the off-plan unit (once delivered) is projected around 8% yield given her early-bird purchase price. So her money isn't just locked in bricks and mortar for residency – it's working for her with ~AED 175k/year combined rental returns, effectively paying for her family's living expenses in the UAE.

Step 2: Leveraging Financing Smartly. To optimize cash flow, Ayesha took advantage of the rule allowing mortgages from local banks for Golden Visa propertyu.ae.

She put ~50% down (AED 1.25M) across both properties and financed the rest via an approved bank. Because the Golden Visa criteria look at property value, not equity, her AED 2.5M in real estate (with ~AED 1.25M loan) still qualified. This way, Ayesha didn't tie up all her capital; she retained ~AED 1.25M which she eventually placed in other investments. The rental income from Property 1 essentially covers the mortgage EMI's for Property 2 – a neat balance. In effect, the tenants are helping pay for her residency investment. We carefully structured the loan so that even if she's abroad, her Golden Visa remains valid (the key was to ensure timely loan payments and that the property titles stay in her name with the bank simply having a charge).

Step 3: Streamlining the Visa Process and Family Benefits. Once the purchase deeds were registered and we had the requisite letters, Ayesha applied for the 5-year Golden Visa (Real Estate Investor category), since initially she fell under the 5-year (AED 2M property gives a 5-year visa, renewable)u.ae. However, a new Cabinet decision then allowed if the property is AED 2M+, it can be a 10-year (the rules around this evolved, and now essentially AED 2M property can get Golden Visa 10-year in many cases, especially if property is kept). We navigated these updates and got her the full 10-year residency for peace of mind. She sponsored her husband and two children with easeu.ae.

The structuring of ownership was important here

CASESTUDY

We advised that the properties be in her sole name (rather than jointly with her husband) because splitting might mean neither meets AED 2M threshold. Instead, she holds both, got the visa, and then her husband gets a spouse visa under her sponsorship. Also, to future-proof, her properties are in desirable locations which historically appreciate well – so if they rise in value, she could sell one, maintain the other at ≥ AED 2M to keep her visa, and free up capital.

OUTCOME

Ayesha effectively achieved a dual-benefit investment – her real estate not only secured the family's UAE residency (with all its perks like no tax, ability to stay outside UAE without losing visa, etc.), but also delivered financial returns. The family moved to Dubai, living in the Marina apartment while renting out a portion of it (it was a 3-bedroom, they lived in 2 and rented 1 room on a short-term basis). This creative approach further boosted her income. Meanwhile, the second property was under construction; its value appreciated 20% by completion, giving her an unrealized gain too.

From a planning perspective, we also looked at exit options: should she ever decide to relinquish the Golden Visa, the properties could be sold or one sold to pay off the mortgage on the other, etc. But interestingly, the structure allows flexibility: if she needed liquidity, she could sell one property even if it drops her below AED 2M, because the Golden Visa would remain until renewal – and by then she might deploy funds into another qualifying investment or choose a different category (e.g. by then her tech business might qualify her under the talent category).



KEY LESSONS FROM THIS CASE

For investors eyeing residency, it's wise to choose investments that stand on their own merits. Here, each dirham served two purposes: residency security and financial return. We ensured compliance (like dealing only with banks and developers that are approved – an important detail, since not all loans or off-plan buys count; we double-checked that the developments had approvals so that the Land Dept letter reflected full value). Additionally, we structured ownership and financing in a way that minimized opportunity cost – she didn't over-concentrate cash in one asset.

It's also a great example of how policy nuances (like allowing multiple properties and mortgages) can be leveraged by knowledgeable structuring. Many people initially think they need AED 2M cash to lock into a single house. Not so – and Ayesha's case shows how, with structuring, a moderate amount of cash can be turned into a much larger asset base that achieves the residency and investment goals together.

In the GCC and globally, programs that tie investments to residency or citizenship work best for the client when the investment is sound. By treating it not as an "extra cost" but as a core part of her portfolio, Ayesha's dual-benefit strategy essentially made the Golden Visa free – her net worth likely will grow from it. That's the ideal scenario we strive for: residency-by-investment doesn't have to be a sunk cost; with the right structuring it can be a profitable capital allocation that simultaneously secures your family's future.

CLIENT CASE



CLIENT

Real Estate Developer

LOCATION

United Arab Emirates

ENGAGEMENT TYPE

VAT Refund

DURATION TO RESOLUTION

67 days

1. Problem Statement

The client, a real estate developer, had purchased vacant land to construct a residential building. Under UAE VAT law, such acquisitions are eligible for input tax recovery if the eventual sales are zero-rated (e.g., first supply of residential property).

A VAT refund application was submitted with full supporting documentation—including invoices, project plans, and a cover note outlining the basis for zero-rating under Article 45 of the UAE VAT Executive Regulations. The claim was technically compliant and complete.

2. Core Challenge

Despite the accuracy of the application, the Federal Tax Authority (FTA) raised a query: “Why are there no sales, and when do you expect them to occur?”

A formal written response was submitted, confirming that:

- The land was vacant
- Architectural design was underway
- Sales would be zero-rated upon completion

Following this, the process stalled.

- The application status remained unchanged (“In Review”) for weeks.
- FTA helpline advised to wait out the 20-working-day review period
- No further communication was received—even after the statutory period lapsed

The absence of feedback or closure created pressure, both internally and from the client, given the value of the refund at stake

3. Approach and Execution

Given the operational silence, a structured escalation strategy was implemented:

- Daily monitoring of the FTA portal for status update.
- Multiple follow-ups via the FTA helpline to log activity and ensure accountability
- Upon exceeding the 20-working-day threshold with no resolution, a formal complaint was filed through the designated escalation channel

Throughout the process, all communication remained documented and consistent with legal provisions under UAE VAT law.

4. Outcome

- Refund approved on 8th July 2025
- 67 days after submission (application filed on 2nd May 2025)
- Full refund granted without any amendment to the original claim

Key Takeaway

In high-stakes tax refund claims, especially in regulated sectors like real estate, procedural correctness is necessary but insufficient. Without proactive tracking and formal escalation, compliant applications can remain idle.

For consulting teams advising on indirect tax or regulatory processes, it is critical to layer technical rigor with process management discipline especially in jurisdictions where silence is a common response mechanism.

THE ANATOMY OF EBITDA: HOW QUALITY OF EARNINGS (QOE) SHAPES REAL DEAL VALUE

INTRODUCTION



DIMPLE BHOJWANI

HEAD OF M&A, STRATEGIC ADVISORY



In today's deal-making landscape, the financial profile of a business is often the cornerstone of valuation and negotiation. While metrics such as revenue and net profit hold value, one metric tends to dominate conversations in the investment and M&A world — EBITDA, or Earnings Before Interest, Taxes, Depreciation, and Amortization. EBITDA is favored because it attempts to reflect the core operating performance of a business without the noise of non-operational elements.

However, EBITDA in isolation can be dangerously misleading. It can be inflated or distorted by aggressive revenue recognition, deferral of expenses, or the inclusion of non-recurring income streams. Sellers often present a clean, polished EBITDA number, but underneath, there could be discretionary costs, one-time government subsidies, or personal expenses that distort the financial reality of the business.

This is where the concept of Quality of Earnings (QoE) comes into play. QoE goes beyond surface-level figures and looks deeper into the financial statements to validate whether the reported earnings are sustainable. It involves dissecting the components of EBITDA, removing anomalies, and normalizing the numbers to reflect what a buyer can actually expect to generate post-acquisition.

In a fast-evolving economy like the UAE, where many businesses are family-owned, or founder-led with discretionary spending embedded in operations, QoE becomes particularly important. It plays a pivotal role in bridging the trust gap between buyer and seller and determines whether the valuation being demanded is rooted in reality or inflated by accounting optics.

Quality of Earnings refers to the sustainability and credibility of reported earnings. It is an analysis conducted to adjust reported financials and arrive at a normalized EBITDA figure. This analysis helps investors and acquirers evaluate the true economic earning power of the business, free from one-time, non-operational, or accounting-driven items.

QoE is different from an audit. An audit assures compliance with accounting standards, but QoE goes further to ask — what part of the earnings will recur? What earnings are truly operational? It ensures the EBITDA used for valuation accurately represents the future maintainable profits of the company. This makes it indispensable in both sell-side and buy-side transactions.

For example, in founder-driven companies, it is not uncommon to find personal expenses buried under business accounts, such as travel, cars, or entertainment. Similarly, some firms recognize revenue upfront or defer expenses, which results in inflated profit margins. QoE eliminates these distortions by normalizing such items.

A strong QoE report is a strategic asset. For buyers, it protects against overpayment and ensures a fair price is negotiated. For sellers, it provides a credible foundation to defend their valuation. In investor-led deals, QoE is often a gatekeeper to capital disbursement. No institutional investor will proceed without it.

WHAT IS QUALITY OF EARNINGS (QOE) AND WHY IT MATTERS

THE ANATOMY OF EBITDA: HOW QUALITY OF EARNINGS (QOE) SHAPES REAL DEAL VALUE

COMMON ISSUES UNCOVERED IN QOE REVIEWS

Some of the common red flags and adjustments identified during a QoE review include:

- One-time revenues: Government subsidies, asset sales, or large one-off project wins.
- Unrealistic capitalization: R&D costs or system development expensed inconsistently.
- Related-party transactions: Understated rent, family salaries, or cross-entity payments.
- Revenue timing issues: Early revenue recognition, or back-loaded receivables.
- Discretionary expenses: Luxury travel, non-business-related car leases, or club memberships.
- FX gains/losses: Volatility masked as operational income.
- Inventory valuation or shrinkage policies affecting COGS and margins.

Adjustment Type	Amount (AED)	Impact
Forex gain reversal	(150,000)	Non-recurring gain
Reversal of COVID-19 support	(210,000)	One-time item
Normalizing related party rent	120,000	Below market rent
Adjustment to deferred revenue	(180,000)	Overstated income
Removal of founder's non-business travel	75,000	Discretionary

These adjustments reduced the company's reported EBITDA by nearly 10%, leading to a downward revision of AED 2.07 million at a 6x valuation multiple.

THE UAE CONTEXT: WHY QOE IS EVEN MORE CRUCIAL HERE

The UAE presents a unique business environment — characterized by a high number of founder-led enterprises, liberal use of accounting discretion, and a still-evolving corporate tax regime. Many companies, especially SMEs, are not used to preparing investor-grade financials, let alone normalized EBITDA figures. This creates a natural mismatch when international buyers or institutional investors get involved.

Another factor is the prevalence of dual-entity structures — Free Zone and Mainland operations — which makes it harder to isolate actual profitability and cash generation at the group level. The introduction of Corporate Tax and the existing VAT system has increased scrutiny, making QoE a must-have, not a nice-to-have.

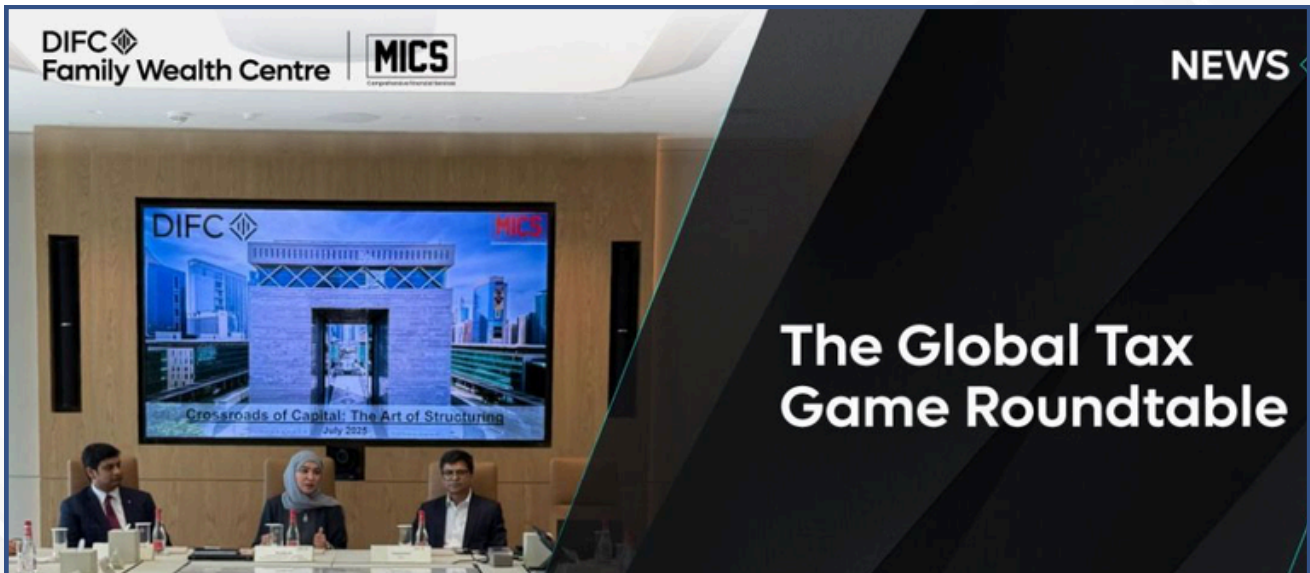
CONCLUSION : A DEAL IS ONLY AS GOOD AS ITS EARNINGS

In M&A, valuation is both a science and an art — but without clean earnings, even the best-crafted models are meaningless. A solid QoE analysis brings transparency, enhances buyer confidence, and shortens the deal lifecycle. It provides stakeholders with an apples-to-apples basis for negotiation, removes guesswork, and surfaces hidden risks before they derail a transaction.

For sellers looking to maximize their exit value, a pre-deal QoE (vendor QoE) helps defend pricing, builds credibility with investors, and avoids last-minute deal erosion. For buyers, it protects against overpaying and uncovers future liabilities. In either case, QoE is not just a financial check — it's a critical decision-enabler in a high-stakes environment.

Shaping Policy. Driving Impact: MICS at Premier Financial Roundtables across DIFC, Ajman Bank & Global Tax Forum

MICS International's leadership continues to demonstrate strategic thought leadership through active participation at key industry platforms, including the DIFC Roundtable, Ajman Bank Roundtable, and International Taxation Society forums, shaping dialogue on cross-border taxation, regulatory alignment, and investment structuring.



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