# MICS NEWSLETTER

Comprehensive Financial Services

## MAY-JUNE 2025

# DISCLAIMER

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# FROM INVESTING TO BUSINESS...

# SPOTLIGHT ON MICS

Comprehensive Financial Services

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ARTICLE 01

# PILLAR 2, GLOBE, AND THE UAE: WHAT EVERY MULTINATIONAL NEEDS TO KNOW—NOW

**PRATEEK TOSNIWAL**
**Partner**

The global tax game is entering a new era—and it is not waiting for anyone to catch up. With the introduction of the OECD's Pillar 2 framework, also known as the Global Minimum Tax (GloBE), multinational enterprises (MNEs) are facing the most significant overhaul in international tax rules in decades. What was once a fragmented patchwork of tax arbitrage and local incentives is being replaced by a unified baseline: if your group is large, global, and profitable, you will pay at least 15% effective tax—somewhere.

This seismic shift is not theoretical. It is already being implemented across dozens of jurisdictions. If your enterprise earns more than €750 million in consolidated global revenues, you are in scope. And if you are not already recalibrating your tax strategy, governance, and group structure—you are late.

## WHAT IS PILLAR 2?

At its core, Pillar 2 establishes a global minimum tax rate of 15%, calculated under standardized GloBE rules. These rules override local tax legislation in determining whether a group has paid its "fair share" in each country of operation. If a subsidiary in a low-tax jurisdiction (say, 9% or less) does not meet the 15% threshold, another country in the corporate chain—typically the ultimate parent's jurisdiction—has the right to collect the top-up tax to bridge the gap.

This means a 0% or 9% tax jurisdiction no longer guarantees strategic tax savings. Instead, it invites scrutiny and triggers reallocation of taxing rights to other countries, many of which are more aggressive and less flexible in enforcement.

## WHY THE UAE CANNOT AFFORD TO IGNORE IT?

For years, the UAE has thrived as a low-tax, investor-friendly hub, offering everything from 0% corporate tax zones to full foreign ownership and easy repatriation of profits. But the assumptions that underpinned this model are now being rewritten.

Even though the UAE introduced a 9% federal corporate tax from 2023, this alone does not protect groups from Pillar 2 exposure. If an MNE's UAE entities do not meet substance requirements or qualify under safe harbor exclusions, their effective tax rate may fall short of 15% under GloBE calculations. And in such cases, the "missing" tax can be collected elsewhere—in the parent's country or in an intermediary jurisdiction.

The result? The very tax arbitrage that once made UAE a magnet for multinational structures is now at risk of being neutralized.

In response, many groups are now:

- Relocating intellectual property (IP) to high-substance jurisdictions.

- Rebalancing revenue-generating functions.
- Consolidating entities to reduce compliance risks and increase ETRs.

The UAE, for its part, has not yet introduced a Domestic Minimum Top-Up Tax, but this is widely expected within the next 12–24 months. If adopted, it would allow the UAE to retain the tax differential locally, rather than letting foreign jurisdictions claim the difference. Until then, leakage is real, and growing.

## WHAT MULTINATIONALS MUST DO—NOW

The implementation of Pillar 2 is not just a tax compliance exercise. It requires a strategic rethink of your operating model, financial reporting systems, intercompany flows, and legal structures.
To stay ahead of the curve, multinational groups need to take the following immediate steps :

**1. Determine if You Are in Scope**
If your group crosses the €750 million consolidated revenue threshold, Pillar 2 applies. There are no exemptions based on industry, ownership, or local incentives.
**2. Calculate GloBE-Based Effective Tax Rates (ETRs)**
Do not rely on statutory or accounting-based tax rates. Pillar 2 uses a specific framework to determine ETRs, and calculations must be done on a jurisdiction-by-jurisdiction basis. A group may meet the threshold in one country but fall short in another.
**3. Understand Safe Harbors and Transitional Reliefs**
The OECD has allowed limited relief mechanisms, including the Transitional CbCR Safe Harbour. But these are temporary and come with complex conditions. Assuming you are "safe" could be a costly mistake.
**4. Reevaluate Your Group Structure**
Assess where your key value drivers—IP, senior management, financing, and risk-taking functions—are located. In some cases, a structure that once saved tax may now invite penalties, top-ups, and disclosure risks. Strategic restructuring could save millions.
**5. Get Pillar 2-Ready: Reporting and Governance**
Pillar 2 compliance is documentation-heavy. Groups must prepare for extensive disclosure, governance alignment, and timely filing. Failure to comply not only increases financial risk but can attract reputational damage.

## WHERE MICS INTERNATIONAL COMES IN?

Navigating the complexity of global minimum tax rules while safeguarding your group's competitiveness requires more than a traditional tax advisor. You need a cross-border, substance-driven, and execution-focused partner who understands the interplay between strategy, compliance, and governance.
At MICS International, we work with global families, multinationals, and regional conglomerates to help them :

- Interpret Pillar 2 legislation in the context of the UAE, India, Singapore, the UK, and other key jurisdictions.
- Model effective tax rates under the GloBE framework, jurisdiction by jurisdiction.
- Identify high-risk entities across group structures that could be targeted for top-up taxes.

- Design restructuring blueprints to consolidate substance, reassign IP, or shift value-creating functions.
- Prepare reporting systems and documentation protocols to meet OECD standards and local compliance demands.
- Coordinate with in-house finance and legal teams to streamline implementation and reporting cycles.

With deep expertise in UAE structuring, tax advisory, and international regulatory trends, MICS offers the clarity and control needed to respond—not react—to global tax shifts.

## WHY IT MATTERS—BEYOND THE TAX BILL

Pillar 2 is not merely about paying more taxes. It is about who gets to tax you, and under what terms. It is about control, reputation, and readiness in a landscape that is evolving rapidly and punishing inertia.

Early movers will not only retain more profit, but also enhance investor confidence, reduce audit exposure, and maintain strategic optionality. Late responders will find themselves playing catch-up in a high-stakes regulatory environment where the rules no longer bend to business needs—they dictate them.

The smartest companies are not just complying with Pillar 2. They are using it as an inflection point—to tighten governance, strengthen cross-border resilience, and rethink global tax planning from the ground up.

In a world where tax certainty is fading, proactivity is power.

Pillar 2 is not the end of tax optimization. It is the beginning of a more intelligent, transparent, and globally aligned way to manage it.

And for those who move now—the advantage is still yours to claim.

ARTICLE 02

# FILE TWO MONTHS BEFORE THE DUE DATE AND SAVE AED 10,000: A GUIDE TO EARLY CORPORATE TAX FILING IN THE UAE

With the introduction of the Corporate Tax (CT) regime in the UAE, timely registration and compliance have become crucial for businesses of all sizes. While the legal deadline for submitting your corporate tax return is nine months from the end of the financial year, filing just two months earlier can mean the difference between incurring a hefty AED 10,000 penalty or having it completely waived.

This article explains how businesses can benefit from early filing, specifically how to avail of the penalty waiver, and outlines additional advantages of staying ahead of the tax curve.

**KINJAL SAMPAT**
**Associate partner**

Understanding the Late Registration Penalty:

Businesses that fail to register for corporate tax within the prescribed timeline face a late registration penalty of AED 10,000. This penalty is automatically applied once the Federal Tax Authority (FTA) identifies the delay.

However, there is a structured opportunity to have this penalty **waived** if specific conditions are met. The key lies in **early filing of the CT return or Annual Declaration** within **7 months** of the financial year-end, instead of waiting until the full 9-month period.

How to Avail the Penalty Waiver

Here's a simplified breakdown of how businesses can benefit from the waiver:

1. Late Registration Penalty is Imposed
   - This occurs due to a delay in completing CT registration.
2. File Return Early
   - If you are a Taxable Person, submit the Corporate Tax Return.
   - If you are an Exempt Person, submit the Annual Declaration.
3. File Within 7 Months
   - Ensure the return or declaration is filed within 7 months of the financial year-end (not 9 months).
4. Result : Late Registration Penalty is Waived
   - Filing early automatically triggers a penalty waiver process.

Scenarios Under the Waiver Framework

Once a business files early, the waiver process depends on whether the penalty was already paid or not:

A. If Registration is Complete but Penalty Was Issued

- ·**Penalty Not Paid Yet:**

o File CT return within 7 months → Penalty is waived.
o File after 7 months → Penalty remains.

- ·**Penalty Already Paid:**

o File CT return within 7 months → Amount refunded to tax account.
o File after 7 months → No refund granted.

B. If Registration is Still Not Complete
·Complete registration and file CT return within 7 months to qualify for waiver or refund.

Example Scenario

XYZ LLC operates on a financial year from January 1 to December 31. Its first corporate tax return is due by September 30, 2025.

Due to delays in completing the CT registration process, XYZ LLC was issued an AED 10,000 late registration penalty. Instead of accepting this as a sunk cost, the company acts swiftly.

By filing its CT return by July 31, 2025 (within 7 months of year-end), XYZ LLC qualifies for a full penalty waiver. If the penalty was already paid, it will be refunded to their tax account. If not paid, it will be nullified.

This not only results in significant savings but also reflects positively on the company's tax compliance profile.

Additional Benefits of Early Filing

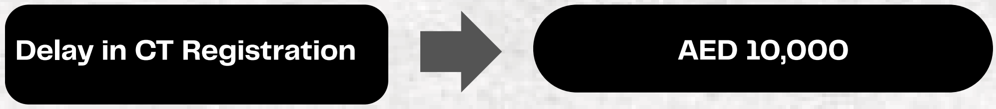
While the primary motivation for early filing is avoiding penalties, there are other strategic benefits:

1. **Cash Flow Clarity**
   - Early finalisation of tax liabilities supports better financial planning.
2. **Audit Readiness**
   - Early compliance helps businesses prepare for potential audits or tax authority queries.
3. **Reduced Last-Minute Errors**
   - Filing in advance ensures more time for reviewing and correcting potential mistakes.
4. **Improved Reputation with FTA**
   - A consistent history of early, accurate filings enhances your standing with regulators.
5. **Better Access to Refunds**
   - Refunds, if applicable, are processed sooner when returns are filed early.

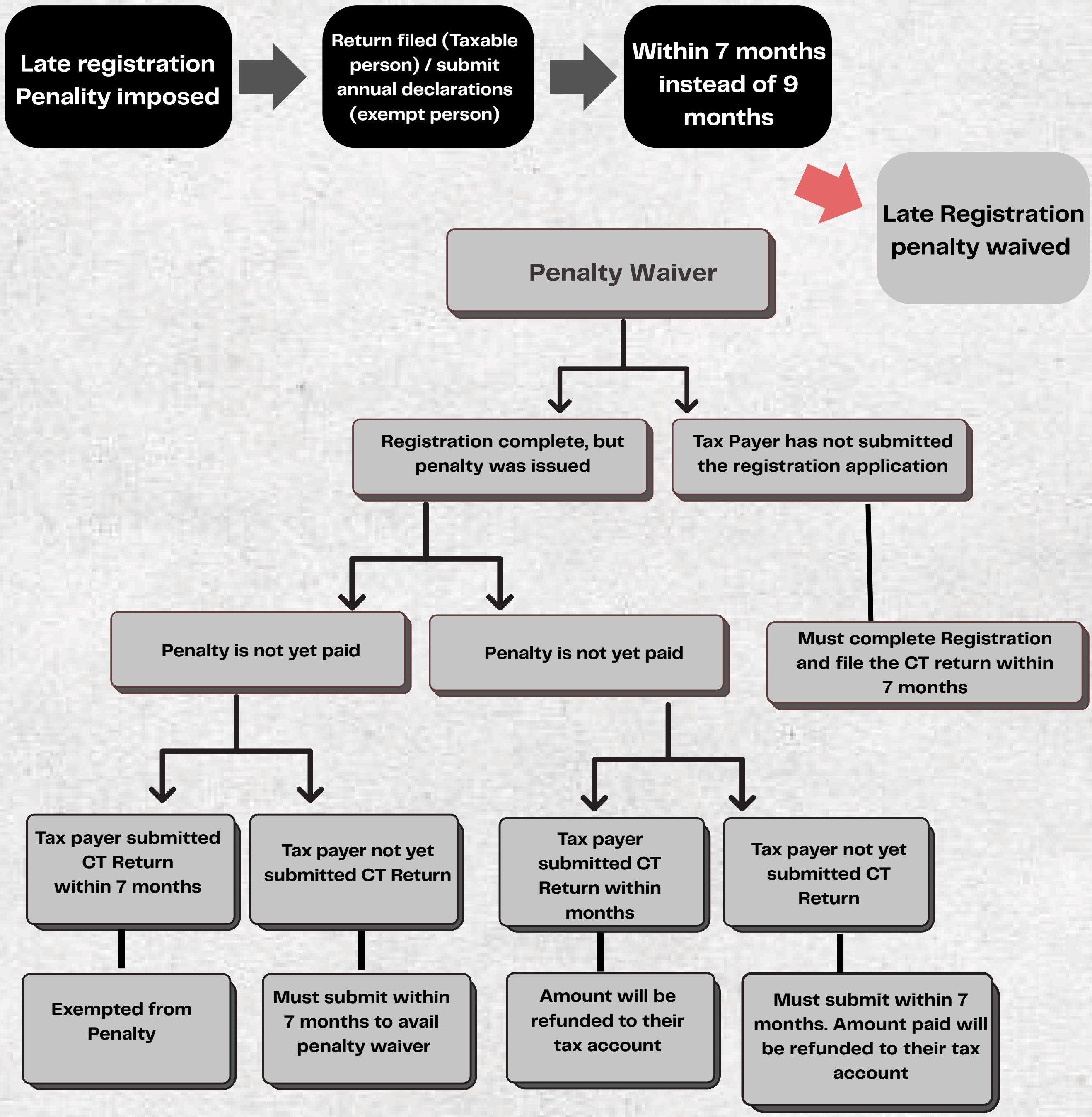
Key Takeaways

- ·**Do not wait** until the 9-month deadline.
- File **within 7 months** to potentially save AED 10,000.
- Refunds are available **only** if the CT return is filed within the 7-month window.
- Ensure both **registration and filing** are completed early to avoid irreversible penalties.

In a compliance-first tax environment like the UAE, smart timing is everything. By aligning your corporate tax timeline with the 7-month mark instead of the 9-month deadline, you not only save money but gain the confidence of operating within the framework of best regulatory practice.




## How to avail waiver




Need help with early filing, registration, or compliance strategy? Our team at MICS International is here to help you stay ahead of the deadline—and the penalties.

# A LANDMARK GATHERING FOR VISIONARY INVESTORS & STRUCTURING EXPERTS

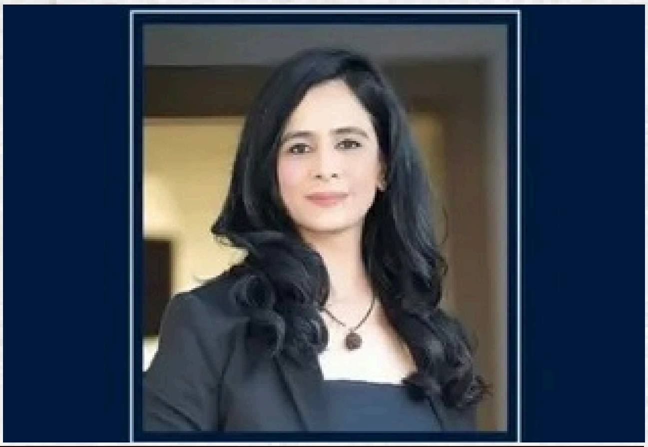
**"BEYOND BOUNDARIES" – RAS AL KHAIMAH SUMMIT**

On May 11, 2025, MICS International and ICAI RAK Chapter co-hosted **"Beyond Boundaries: Insights for Connection & Growth",** bringing together a powerhouse panel of tax advisors, structuring professionals, and real estate experts to explore Ras Al Khaimah's evolving investment landscape. The event was a strategic platform for real conversations, investor questions, and future collaboration.

**Key Highlights:**

- A deep-dive session on The Global Tax Game, exploring how global tax shifts impact HNIs and family offices
- Expert perspectives from **Sandra Yeow** (RAK ICC) on structuring using Foundations
- Valuable insights from **Rahul Dinodia** (Al Naboodah) on practical tax structuring and group reorganization
- A special segment by BNW Developments on Ras Al Khaimah's real estate trajectory and what makes it investor-friendly

# DIFC FOUNDATIONS: THE RISING STAR IN GLOBAL WEALTH AND LEGACY PLANNING

**SHWETA SONI @ KHALEEJ TIMES**

In her recent Khaleej Times article, Shweta Soni, Partner at MICS International, highlights the growing prominence of DIFC Foundations as a premier tool for global wealth structuring and legacy planning.

These foundations offer a unique blend of trust-like asset protection and corporate-style governance, making them ideal for high-net-worth individuals, family offices, and international investors seeking confidentiality, tax efficiency, and control.

- **Asset protection:** Assets are legally ring-fenced, shielding them from personal liabilities or litigation.
- **Succession Planning:** Pre-defined inheritance structures ensure seamless transitions, bypassing lengthy probate processes.
- **Global Asset Holding:** Ability to securely hold a range of global assets under a single umbrella.
- **Confidentiality:** DIFC regulations ensure the identities of founders and beneficiaries remain private.
- **Tax Efficiency:** Zero corporate, capital gains, or withholding tax on qualifying income.
- **Accessibility:** No minimum capital requirement, making them accessible to a wide range of founders.

MICS International plays a pivotal role in guiding clients through the establishment and management of DIFC Foundations, providing expertise from initial structuring to ongoing compliance.

# OPENING THE UAE GATEWAY FOR INDIAN ENTREPRENEURS


**SHEETAL SONI – DOING BUSINESS IN THE UAE**

As part of the ABMYS Dubai Business Conclave on May 4, 2025, Sheetal Soni from MICS International delivered a high-impact session titled "Doing Business in Dubai: A Gateway for Indian Entrepreneurs."

Drawing from on-ground experience and regulatory insight, Sheetal simplified the complexities of setting up and scaling businesses in the UAE. He outlined critical differences between mainland and free zone structures, licensing options for Indian SMEs, tax and visa pathways, and how the evolving regulatory environment favors compliant and growth-focused businesses.

Attended by a diverse audience of investors, professionals, and business families, the session served as a practical guide to navigating the UAE's commercial landscape—with a spotlight on real-world structuring choices and emerging sectors for investment.

# DEMYSTIFYING CORPORATE TAX COMPLIANCE: LIVE AND UNFILTERED





**KINJAL SAMPAT - UAE CORPORATE TAX MASTERCLASS**

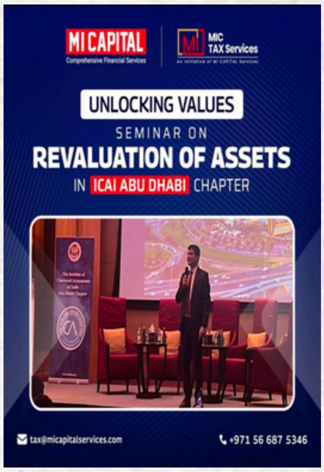
Kinjal Sampat was invited on May 10, 2025, as a featured speaker for a high-impact session hosted by the **Taxation Society UAE**, drawing over 60 tax professionals, business owners, and industry experts. Her session focused on a critical area often overlooked — **Administrative Aspects of UAE Corporate Tax: Registration, Deregistration, Return Filing, Disclosures, and Financial Statement Readiness.**

What set Kinjal's session apart was not just her deep expertise but her ability to break down complexity into clear action points. In a standout moment, she walked the audience through a live demo of a corporate tax return filing, making theoretical understanding come alive.

Attendees appreciated the practicality of her content, which highlighted real-world risks, FTA expectations, and process bottlenecks, giving businesses a crystal-clear compliance roadmap.

# MORE ON EVENTS, LEADERSHIP, TRAININGS, MEDIA PRESENCE & RECOGNITIONS...

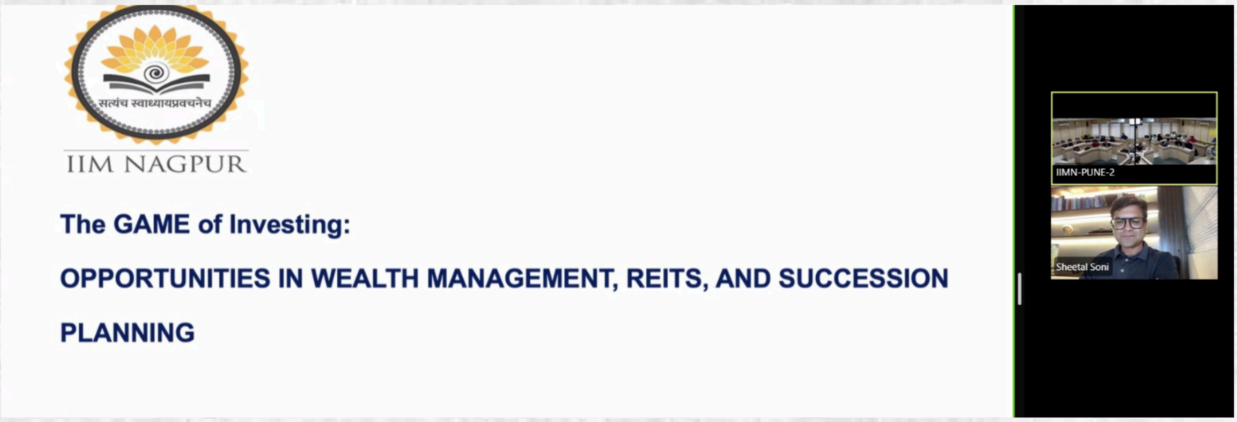

DAY 3 OF FULL DAY TRAINING SESSION WITH DIFC


MICS AT ICAI ABU DHABI CHAPTER 2025- 36TH ANNUAL CHAPTER


KINJAL SAMPAT
@ MASHREQ YANA EVENT

SPEAKER PANEL @GULF NEWS




SHEETAL SONI'S GUEST LECTURE @ IIM NAGPUR

# ABOUT US

In today's business landscape of constant change and disruption, MICS continuously evolves to help organizations navigate financial complexities with confidence. We pride ourselves on delivering measurable results with exceptional service quality, driving positive and sustainable change for our clients, our team members, and the communities we live in.

## OUR SERVICES

**Corporate Finance & Strategic Finance:** Mergers & Acquisitions, Debt Advisory & Transaction Support Services

**Tax & Advisory:** Global advisory and taxation compliance support

**Licensing & Structuring:** Business setup and regulatory compliance

**Accounting & Compliances:** Financial compliance and audit readiness

**Audit & Assurance:** Independent assurance and governance frameworks.

**Wealth Management:** Strategic asset management for high-net-worth individuals

## OUR LEADERSHIP TEAM

SHEETAL SONI
PARTNER

PRATEEK TOSNIWAL
PARTNER

SHWETA SONI
PARTNER

KHALEEFA AL QUBAISI
PARTNER

SHUBHANGI TOSNIWAL
PARTNER

KINJAL SAMPAT
ASSOCIATE PARTNER

## OUR KEY INITIATIVES

My Investing Fuckups

Funding Possibilities

MICS Wealth

The Art of Structuring-
Wealth, Death & Taxes (WDT)

The Global Tax Game

## OUR KNOWLEDGE PLATFORMS

MICS Local to Global

My Investing F**kUps

The Wealth Forum

M & A Circle

## OUR SOCIAL MEDIA PRESENCE

https://www.instagram.com/mics_international/

https://www.facebook.com/MICSInternational

https://ae.linkedin.com/company/micsinternational

https://www.youtube.com/@mics2024

## OUR RESOURCES

| | |
|---|---|
| **MICS VIDEOS:** | https://www.youtube.com/@mics2024 |
| **THE MICS SHOW:** | https://www.youtube.com/watch?v=xbZrg9QyDyA |
| **UAE CT Simplified:** | https://www.youtube.com/playlist?list=PL6Hq2B2kB5COsansu1f-Ng_NUm_rvH4cs |
| **UAE Corporate Tax webinars:** | https://www.youtube.com/playlist?list=PL6Hq2B2kB5C3__6xeTT5MOO16h3oYFAHD |
| **Virtual Assets compliances** | https://www.youtube.com/watch?v=Np6q_B7nRi8 |
| **UAE Corporate Tax WhatsApp Group:** | https://chat.whatsapp.com/LiKYLe9xoS8Hp7cYSwgJHB |

## CONTACT US

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# DEAR READER,
# THANK YOU FOR TUNING IN TO THE MICS NEWSLETTER

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