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"Governance Professionals"



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CHAIRMAN'S MESSAGE

CS Raghendra Verma

Company Secretary



Dear Members and Esteemed Readers,

It is my privilege to present this edition of our Governance Magazine, which continues to serve as a valuable platform for thought leadership, professional dialogue, and the exchange of perspectives on matters shaping the evolving governance landscape.

In an increasingly interconnected and rapidly changing regulatory environment, governance frameworks must continuously adapt to new legal developments, technological advancements, and heightened expectations of accountability and transparency. This edition brings together a range of timely and relevant discussions that reflect these ongoing transformations.

We begin with an **update on legal and regulatory developments**, offering readers a concise overview of recent changes that influence the compliance and governance responsibilities of organizations. Alongside this, we present a **brief look at the evolution of boards**, examining how board structures and responsibilities have progressed over time to meet modern governance expectations and strengthen strategic oversight.

Taxation and regulatory compliance remain integral components of sound governance practices. In this context, the magazine provides an analysis of the **newly implemented deadlines for Value Added Tax (VAT)** and a focused discussion on **excise duty on sugar**, both of which carry important implications for businesses and regulatory compliance.

Another significant development explored in this edition is the **commercial company law** overhaul, highlighting the ongoing modernization of corporate legislation and its role in strengthening corporate governance frameworks. Complementing this discussion is an important legal perspective on circumstances **when governance failures lead courts to lift the corporate veil**, reinforcing the principle that corporate structures must not be misused to evade accountability.

As technological innovation increasingly intersects with the legal domain, this edition also features a timely article on **Artificial Intelligence in the courtroom**. The discussion addresses emerging concerns related to AI-generated hallucinations, copyright considerations, and liability issues, underscoring the need for responsible adoption of technology within judicial and legal processes.

Beyond the pages of this publication, our institute continues to foster dialogue and collaboration within the governance community. A notable highlight was the event titled **“Governance Beyond Borders – Shaping Global Standards from the Middle East,”** held on **13 December 2025**, which provided a valuable platform for cross-border exchange of ideas and best practices. This momentum was further strengthened through our **members’ get-together on 31 January** and a **webinar on E-invoicing**, both of which encouraged meaningful engagement and knowledge sharing among professionals.

These initiatives reflect our continued commitment to building a vibrant professional community dedicated to promoting sound governance practices and enhancing institutional integrity.

I extend my sincere appreciation to our contributors, speakers, editorial team, and members whose continued support and engagement make this publication and our initiatives possible. It is my hope that the insights presented in this edition will contribute to informed discussion and further strengthen the standards of governance within our professional community.

Warm regards,

CS Raghendra Verma



Legal & Regulatory Update – UAE



01 UAE Issues Federal Decree-Law Promulgating the New Civil Transactions Law

“UAE Government Issues a Federal Decree Law Promulgating the Civil Transactions Law.”

Key legal development

- Establishes an updated framework governing **civil rights, obligations, and contractual relations**.
- Aims to modernise legislation and simplify interpretation of civil rules.
- Courts are given broader discretion to apply **Sharia principles where legislation is silent**



<https://uaelegislation.gov.ae/en/news/the-uae-government-issues-a-federal-decree-law-promulgating-the-civil-transactions-law>

02 UAE Capital Markets Regime Overhauled with Creation of Capital Market Authority

“Major Updates Recalibrate the UAE Capital Markets Regime.”

- Federal Decree-Laws **No. 32 and 33 of 2025** introduced a major regulatory overhaul.
- The **Securities and Commodities Authority (SCA)** has been reconstituted as the **Capital Market Authority (CMA)**.
- Expanded enforcement powers and new regulatory tools for capital markets.



<https://www.lw.com/en/insights/major-updates-recalibrate-the-uae-capital-markets-regime>

03 UAE Amends Commercial Companies Law Affecting Corporate Structures

"UAE Amends Commercial Companies Law: Key Reforms for Businesses."

- Clarifies jurisdictional scope of the **Commercial Companies Law**.
- Aligns corporate governance provisions and shareholding structures.
- Introduces greater legal certainty for companies operating in the UAE

<https://www.dentons.com/en/insights/alerts/2026/january/27/uae-amends-commercial-companies-law>



04 UAE Updates Tax Procedures Law and VAT Framework

"Regulatory & Legal Updates: Amendments to UAE Tax Procedures Law."

- Applies to **Corporate Tax, VAT, and Excise Tax taxpayers**.
- Introduces statutory time limits for refund requests.
- Allows tax authority audits in certain cases beyond limitation periods.

<https://www.mondaq.com/tax-authorities/1737554/regulatory-legal-updates-january-10-2026-uae-tax-updates-november-2025>



05 Reform of UAE Civil Transactions Law Includes Change to Age of Legal Capacity

"Change in the UAE's Age of Legal Capacity and What It Means."

- Federal Decree-Law amendment lowers the **age of majority from 21 to 18**.
- Individuals aged 18+ will have **full legal capacity to contract and transact**.

<https://www.lexology.com/library/detail.aspx?g=9a9e955-dd4a-4502-b22c-adf64588bca0&utm>



06 UAE Personal Status Law Updates Affect Inheritance of Non-Muslim Residents

"2026 Amendment Changes How Assets Are Transferred When Expats Die Without a Will."

- Non-Muslim estates are divided **50% to spouse and 50% among children** if no will exists.
- Assets without heirs may be transferred to a **Waqf (charitable endowment)**.

<https://alkabban.com/news/uae-law-expat-assets-no-heirs-charity-2026/>



UAE COMPLIANCE UPDATE

Headline	Sector	Law / Regulation	Regulator / Source
UAE introduces new Anti-Money Laundering Law replacing 2018 regime	Financial Crime / AML	Federal Decree-Law No. 10 of 2025 on AML/CFT	UAE Government
 Oct 2025 (effective)	Key Compliance Requirement: Expands offences to include proliferation financing and virtual assets; strengthens penalties and enforcement powers. (AML UAE)		
New AML Executive Regulations operationalize the AML law	Financial Crime	Cabinet Decision No. 134 of 2025 (AML Executive Regulations)	UAE Cabinet / Ministry of Finance
 Dec-25	Key Compliance Requirement: Introduces detailed compliance requirements for financial institutions and DNFBPs. (Norton Rose Fulbright)		
AML framework expanded to cover virtual asset providers	Fintech / Crypto Compliance	Federal Decree-Law No. 10 of 2025	UAE regulators
 2025-2026	Key Compliance Requirement: Virtual asset service providers must comply with AML controls and reporting obligations. (AML UAE)		

Headline	Sector	Law / Regulation	Regulator / Source
AML framework expanded to include proliferation financing offences	Financial Crime	AML Law 2025	UAE Government
 2025	Key Compliance Requirement: New criminal categories introduced to align with FATF standards. (Herbert Smith Freehills)		
UAE strengthens AML/CFT national strategy and supervisory framework	Financial Compliance	UAE National AML/CFT Strategy	Central Bank of UAE
 2026	Key Compliance Requirement: Enhanced coordination among regulators to implement FATF recommendations. (Central Bank of the UAE)		
DFSA AML Rulebook amendments come into force	Financial Services	DFSA AML Rulebook Amendments	Dubai Financial Services Authority
 Mar-26	Key Compliance Requirement: Updated AML, sanctions screening, and financial crime compliance rules for DIFC-regulated firms. (DFSA)		
Companies must implement stronger KYC, monitoring and suspicious transaction reporting	Financial Crime	UAE AML compliance framework	Financial Intelligence Unit / goAML
 2026	Key Compliance Requirement: Businesses must identify customers, assess risk and report suspicious activity through goAML. (AML UAE)		
Mandatory goAML registration for regulated entities	AML Compliance	AML Law and FIU reporting framework	UAE Financial Intelligence Unit
 2026	Key Compliance Requirement: Entities must appoint a compliance officer and register on the goAML reporting platform. (Signzy)		
AML framework expands scope of predicate offences including tax evasion	Financial Crime	AML Law 2025	UAE Government
 2025	Key Compliance Requirement: More underlying crimes now trigger AML reporting obligations. (Herbert Smith Freehills)		

Headline	Sector	Law / Regulation	Regulator / Source
DNFBPs subject to AML obligations (real estate, auditors, law firms)	Corporate / AML	AML regulatory framework	UAE regulators
 2026	Key Compliance Requirement: Non-financial businesses must implement AML compliance programs and risk assessments. (Affiniax)		
Gaming operators brought within AML regulatory scope	Gaming / Financial Crime	AML Executive	UAE Cabinet
 Dec-25	Key Compliance Requirement: Commercial gaming operators must comply with AML controls. (LawNow)		
Central Bank law strengthens regulatory oversight of financial institutions	Financial Regulation	Federal Decree-Law No. 6 of 2025 (Central Bank Law)	Central Bank of UAE
 2025	Key Compliance Requirement: Expands regulatory powers and supervisory authority over banks, fintech and insurance entities. (Ashurst)		
Commercial Companies Law amendments increase governance obligations	Corporate Governance	Federal Decree-Law No. 20 of 2025 (amending CCL)	UAE Government
 2025	Key Compliance Requirement: Enhances board responsibility, disclosure obligations and investor protection rules. (Legal 500)		
Companies must enhance board accountability and executive liability	Corporate Governance	Amendments to Commercial Companies Law	UAE Government
 2025	Key Compliance Requirement: New governance rules strengthen compliance responsibilities for directors. (Legal 500)		
Financial institutions required to implement targeted financial sanctions immediately	Financial Crime	Cabinet sanctions decisions under AML law	Central Bank of UAE
 Ongoing	Key Compliance Requirement: Institutions must freeze assets and apply sanctions screening without delay. (Central Bank of the UAE)		
Shift from checklist compliance to effectiveness-based AML supervision	Financial Compliance	UAE AML/CFT framework	UAE regulators / FATF alignment
 2026	Key Compliance Requirement: Regulators expect demonstrable effectiveness of AML controls. (SymphonyAI)		

A brief look at Board Evaluations

By

CS Ramchander Tumuluru

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Background

The Board of Directors is the governing body of a company and bears the ultimate responsibility for strategic direction, comprehensive policies, procedures of corporate governance, risk review and for the superintendence, direction and control of companies. The Board sets the vision, strategy and has a fiduciary duty to shareholders and is accountable to various groups including the regulator.

Who then evaluates the Board? "I can't think of a single work group whose performance gets assessed less rigorously than corporate Boards" Yale University Professor Jeffrey Sonnenfeld said in 2002. Is it the regulator, the shareholder, the Board itself or even the public or media as we often see when instances like Indigo airlines suspension of flights created inconvenience to the public related to non-compliance of some regulation. Sometimes shareholder activism may warrant exposing the elephant in the room. I recollect years ago how a Company Secretary would quickly handover a questionnaire with Y or N to be ticked in the warmup before the formal meeting. Board Evaluation was not a priority but a lot of positive developments have taken place especially in the last 10-15 years. Board assessment is evolving in many geographies.

Supervisory Boards, Governance and Profitability

Germany and even public listed companies in China have Supervisory Boards for Board oversight with collective wisdom of often well-known luminaries and industry captains. Family businesses may also have personal power struggles or issues which may make the process difficult and may never permit a spade being called a spade. Corporate entities may not do it till regulated. It's not only mandate but the will to be candid and improve that is key. Astute mature groups may have their own Chairman or patriarch, often a visionary, initiating the process to inject fresh ideas in the Board to enrich its development journey. Entities that have strong values and focus on right things tend to be more profitable it is said – even beginning with Health Safety and Environment. The Du Pont Safety First program is a classic example



What is Board Evaluation

Board Evaluation is the holistic approach and detailed process where there is an assessment and evaluation of the performance of the Board (including its committees and individual Directors) engagement, composition, diversity, effectiveness to the strategy, growth of the business considering risks, oversight and reconstitution and actions needed and followed up.

“Board evaluation process contributes to proactive and streamlined operations and robust governance oversight. As technology, financial reporting, governance, risk management, taxation, regulatory compliance and human capital continue to evolve, a sound and well-functioning board is key to address complex business challenges” (Maryam Zaman, KPMG, 2023)

The distinction between assessment and evaluation is important as often both are often used to mean the same. Board assessment is a process on improving by providing feedback but evaluation is forming a view versus say a benchmark or goal.

Need for and Importance of Board Evaluation

Board Evaluation aims:

To bring the best out of Board engagement and group dynamics with participative inputs for Board development, oversight and effective strategies.

To maintain a regular assessment of the Board' balance of age, independence, skills, training, knowledge, diversity, gender, geography and experience – reflected in its composition

To enhance the performance and commitment of the Board towards organizational goals
To help identify the areas of concern.

To encourage team building and teamwork

To help establish strong and effective coordination between the Board and the Management

To help succession planning

To ensure that there are

- Open and honest discussions
- Open to dissenting views
- Open communication in Board and with management and committees
- Mutual trust

Who initiates a Board Evaluation?

This could be the Chairperson, the State with legislation, Regulator, Central Bank and or / Stock Exchange, the shareholder or even the Board itself who see it as a process of seeking improvement, future ready, skilled in business, operations and finance. A suo moto process is best as it is voluntary than mandated by the regulator the latter often becoming more a compliance process than a true evaluation in spirit

Who conducts the Board Evaluation?

An independent professional third party which provides these services and perhaps has benchmarking data as well, a facilitator or even the Boards' Nomination and Remuneration Committee much like a Peer Review.

Evaluation Process

There are varying tools used for this including interviews and evaluation of each Director, structured questionnaires, comparisons versus goals set and benchmarking, understanding relationship of Boards members inter se, within committee and with individual directors.

Each assessment and evaluation need a formal action plan for improvement, training needs, exposure to best practices, track progress and feedback with progress to the next level including structural changes if any.

Expertise on AI and AI governance, ESG, cybersecurity, robotics, risks (especially post Covid), climate change , diversity , geopolitical volatility in a VUCA environment. Social media handling public relations and media etc. are becoming important areas other than traditional areas of expertise.

Evaluation approach may need to vary year by year to show both continued interest and participation , else questionnaire will be a tick box exercise.

Frequency

A periodic review is essential and sometimes mandated by law. Ideally it should be annual. Regulation and good practice usually recommend an independent third-party exercise especially in banks and public listed companies once in 3 or 5 years.

The important point is that there is transparency and reviewed versus benchmarks and progression and continuous improvement over time.



Disclosures

Best annual reports for board evaluation disclosure go beyond just a statement of compliance and delve into the process, frequency, methodology, scope and outcomes of the assessment and action taken and progress. Many are aligned with established Governance Codes in mature markets

Korn Ferry in an annual analysis of proxy statements of S&P 500 companies, found that 97% of S&P 500 companies disclosed details of their board-evaluation process in their 2023 proxy statements, a 6% increase from 2022. But only 48% of board directors were subject to such a review in 2023, 11% fewer than in 2022.

UAE

In annual Board Valuation is mandatory for banks, insurance companies, listed entities regulated by the Central Bank and the Securities and Commodities Authority (SCA) with several changes in the Corporate Governance Code to perform annual evaluations of their board, board committees and individual board members. External review is also required every 3-5 years

A typical disclosure of the process is given below

Evaluation of the Board, Board Committees and Executive Management The Board of Directors conducted an annual evaluation for the year 2024 to assess its performance and the performance of its members and committees to determine ways to strengthen its effectiveness through the Nomination and Remuneration Committee assisted by the Board Secretary. Every third year, the Board invites an independent professional entity that has no interest or relationship with the Company or any of the members of its Board of Directors or Executive Management, to evaluate the performance of the Board of Directors, its members and committees. The last third-party independent evaluation was conducted in early 2024. The Executive Management team is subjected to a robust annual exercise of performance reviews directly linked to their remuneration"

India

Board assessments in India annually for listed companies per the Companies Act and SEBI, Board, committees, and individual director performance are included to understand expertise, diversity and strategic contribution. There is a growing trend towards independent professional evaluation. Disclosure on Evaluation is mandatory.

Way back in 2003, the Narayan Murthy Committee Report on Corporate Governance emphasizes the need for a sound process for Board evaluation including CEO succession planning.

Code of conduct for independent directors include the need to bring an objective view in the evaluation of the performance of Board and management and carries much more accountability and responsibility than before.

Global Trends

Board evaluations this coming year are shifting from passive oversight to active, data-driven governance given the rapid development of AI, geopolitical volatility risks, and sustainability Assessments at all levels (board, committees, individual) and key focus areas of :

-  comprehensive evaluations that cover the board as a whole, its committees, and individual
-  director performance towards optimum possibilities
-  AI and Technology Oversight competencies including cybersecurity
-  Geopolitical and Risks
-  ESG and Stakeholder Accountability:
-  Board Composition and CEO Succession
-  Strategy and Growth
-  Climate impact
-  Tariffs and Supply Chains
-  Digital & AI Literacy: Closing gaps in technology expertise.
-  Compliance and Ethics

Summary and Role of Company Secretaries

Board evaluation will increase in importance from investors regulators and the public in a very growing volatile and technologically progressing environment.

Evaluation should help Board progression and development and not just another compliance and should be seen positively. Less participation is sometimes seen as a challenge although mature Boards have always seen it as continuous improvement.

Company Secretaries can play an important role as a guide and influence in the appointment of third parties, Director induction and training and throw light on the implications of various legislation in the changing landscape that increase Board Accountability and Responsibility. This may also be seen as a growing practice area.

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- [Board Evaluations: One Step Forward, One Step Back Korn Ferry 23 Feb 2024 Anthony Goodman](#)
- [PWC USA Corporate governance trends to watch January 01, 2026](#)
- [PWC USA Annual Directors Survey 2025](#)
- [ICSI A Guide to Board Evaluation \(2015/2017\) and Chartered Secretary Jan 2025 Indian and International Framework](#)
- [KPMG Gulf July 2023 Emerging regulatory trends: board evaluations in the UAE](#)
- [PWC UAE: Central Bank Corporate Governance Regulations January 2020](#)
- [Emaar PJSC Corporate Governance Report 2024](#)
- [Hawkamah website](#)



Article 74(3) of the UAE VAT Law: Practical implications of a five-year limitation on VAT refund claims



By

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By

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The amendments to the UAE VAT Law effective from 1 January 2026 introduce a number of procedural changes, one of them being the introduction of Article 74(3) in the VAT Law (and related updates in the Federal Tax Procedures Law).

Article 74(3) has a significant implication on how VAT refunds must be managed and recovered. For the first time, the recovery of excess input VAT is subject to a statutory five-year limitation period, after which the right to recover that VAT is no longer available if no action has been taken. This amendment does not only impact the legal entitlement to VAT refunds but also refund strategies and compliance timing.



Legal and practical implications

Article 74(3) provides that where excess recoverable input VAT arises in a tax period, the taxable person must either use that excess to offset VAT payable or submit a refund application within five years from the end of the relevant tax period. If neither step is taken within that period, the excess input VAT ceases to be recoverable.

The provision does not require that the refund be approved or paid within five years; rather, it requires the taxable person to exercise the right of recovery within that timeframe. Once the five-year period expires without action, the right to claim the refund amount will be lost.

Prior to this amendment, excess input VAT could be carried forward indefinitely. In practice, many businesses adopted a deliberate strategy of delaying refund claims. One reason for this could be due to the expectation that submitting a refund request would trigger detailed FTA scrutiny. Carrying forward excess VAT allowed businesses to retain flexibility and buy more time, so claims would be submitted only once businesses were better prepared.

The five-year period introduced by Article 74(3) mirrors the general five-year statute of limitation applicable to tax assessments and audits. This alignment is significant, as it now reduces situations where taxpayers seek refunds for periods that the FTA can no longer audit, due to the expiry of the statute of limitation.

Governance and compliance implications

As article 74(3) introduces “time” as a key element, businesses must now be able to identify not only the amount of excess input VAT, but also when it arose.

This has also direct governance implications. VAT recovery can no longer sit solely with the tax compliance teams that are filing returns only. Instead, ideally legal, tax, and finance functions must coordinate to monitor ageing VAT credits, decide when to submit refund claims, and ensure readiness for FTA review within the statutory window.

Failing to do so could now result in the loss of the right to claim the recoverable VAT, even where the underlying transactions are valid and properly documented.

Furthermore, article 74(3) applies equally to VAT refunds arising before 2026. As a result, historical VAT balances will begin to expire on a rolling basis once the five-year threshold is reached. Businesses with long-standing excess VAT face exposure if those balances are not reviewed and acted upon within the new statutory deadline.

This may require a reassessment of refund strategy, including deciding whether claims should be submitted earlier than originally planned. While doing so could accelerate the recovery of cash, it may also result in earlier engagement with the FTA to address follow-up queries as they review the claim.

To manage the risks introduced by Article 74(3), businesses should consider:

-  Mapping excess input VAT to the originating tax period
-  Reconciling internal VAT records with EmaraTax balances
-  Identifying credits approaching the statutory deadline
-  Revisiting refund strategies that relied on delayed submission
-  Preparing documentation in advance of EmaraTax refund claims
-  Implementing internal alerts for ageing VAT credits
-  Assigning clear responsibility for monitoring limitation deadlines

Conclusion

Article 74(3) transforms excess input VAT from a passive accounting balance into a time-bound legal right. Practices that once provided flexibility, such as delaying refund claims to manage readiness for FTA review, must now be reconsidered.

In the context of EmaraTax, visible balances no longer guarantee recoverability. Proactive monitoring, early preparation, and disciplined use of the refund process are now key actions to ensure that valid VAT recovery rights are not lost simply due to the passage of time.

Excise Tax on Sugar Sweetened Beverages in UAE

By

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Background

Excise Tax, effective 1 January 2026, UAE is on a tiered volumetric model replacing the 50% tax until 2025. This is a progressive approach of using fiscal policy to help address health consciousness and issues. It is in alignment with National Nutritional Strategy 2020 and Vision 2031 and reflects regulatory maturity.

High sugar content beverages have long been known to contribute to rising health issues of diabetes, obesity and chronic disease worldwide and in the region.

The UK, Singapore, Ireland, Mexico etc., use tiered sugar taxes to influence consumer behavior and cut disease rates through price signals.

Law

Ministry of Finance announced the Cabinet Decision (197) of 2025 on selective goods which replaces Cabinet Decision (52) of 2019. The amendment is part of the UAE's ongoing efforts to promote public health and healthier consumption habits in line with the recent amendments to Federal Decree Law No (7) 2025 on Excise Tax.

Applicability

Excise Tax which was introduced in 2017 in UAE is applicable to

- ✔ Tobacco and Tobacco products
- ✔ Liquids used in electronic smoking devices and tools
- ✔ Electronic Smoking Devices and Tools
- ✔ Carbonated Drinks * (this excludes Sparking water)
- ✔ Energy Drinks (will continue with Excise tax at 100% of excise price)
- ✔ Sweetened Drinks

**Category Abolished from 1 Jan 2026 and taxed as sweetened drink based on sugar content*

Exceptions

- Natural Juice despite natural sugar content
- Milk based products which come under dairy
- Sweetened Drinks with only artificial sweeteners

RATIONALE

The key goals of taxation on Sugar is

- Reduce consumption
- To drive healthier choices
- Raise government revenues to be spent on public services
- Ensure fairer taxation across the beverage sector.
- will encourage product reformulation.

Procedures

All Businesses that import produce or release excise goods from designated zones must consider registration and compliance responsibilities relating to filing and paying Excise Tax.

Registration as excise goods required submitting of a certified laboratory report accredited by the Ministry of Industry and Advanced Technology (MoIAT) showing the sugar and sweeteners content as supporting documentation or be classified as a high-sugar sweetened drink.

Excise Tax payers need to apply online for a UAE Certificate of Conformity regarding the sugar and sweetener content in beverages for excise Tax purposes

Definition

A sweetened drink is defined as ' a product to which a source of sugar, artificial sweeteners or other sweeteners is added that is produced for consumption as a drink, whether ready to drink, in the form of concentrates, powders, gels, extracts, or any form that can be converted into a sweetened drink'. Total sugar is relevant here including natural sugar, added sugar and other sweeteners.

Calculating Excise Tax

Excise Tax is calculated on a Tiered Volumetric Model based on sugar content instead of a **flat rate / ad valorem**.

Drinks without added sugar or other sweeteners and only with artificial sweeteners is subject to **0% excise tax**.

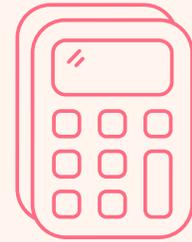
Classification of sugar drinks is as follows of total sugar and other sweeteners per 100ml and current excise tax per litre

High Sugar = or more than 8g – Aed 1.09

Moderate Sugar = 5 or more but less than 8g – Aed 0.79

Low Sugar less than 5 g Nil

Sweetened drinks with only artificial sweeteners Nil



Global Trends

Interesting highlights of the Global Report on the use of sugar sweetened beverage (SSB) taxes 2025 are pertinent:

- As of July 2024, 114 countries apply taxes to sugar sweetened beverages of which Ad valorem applied by 50 countries and volume specific by 51 countries (only 25% of the world). Only 14% apply a mixed system with excise automatically adjusted to inflation. Poland and Sri Lanka used both volume and value.
- Reducing affordability of SSBs is an effective tool to reduce their consumption

Regional Trends

GCC countries are at varying stages on tax on Sugar Sweetened Beverages (SSBs), Saudi Arabia has rolled out a similar four tier volumetric excise tax system from 1 January 2026. Bahrain has a draft bill in place for a two-tiered tax. Oman applies a flat 50% and is seen as likely next adopter, while Kuwait may have a public debate before introducing its own version. Qatar too as a flat 50% since January 1, 2019.



Specific regions : India and United Kingdom and positive impact of excise tax

In India tax is at a flat rate with a high tax level of 40% (GST and cess) but not volumetric.

UK follows a volumetric approach – known as the Soft drinks industry levy (SDIL), is a tax on pre-packaged drinks such as those sold in cans and cartons in supermarkets. Sugar tax on milk-based drinks will happen from 1 January 2028.

Tax impact on sugar may mean a different less sugary taste different or cost a bit more. Milk-based drinks have been exempted from the sugar tax because they contain calcium, which is encouraged in children and young people's diets.

To extract BBC report : 'To date, it's led to a 46% reduction in the sugar contained in soft drinks affected, the government says .Nearly 90% of the market now contains less sugar than the level at which the tax applies. But experts say there is still too much sugar in UK diets. Free sugars should account for no more than 5% of daily energy intake, current UK advice says. But the amount of sugar consumed in the UK is around double that'.

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-Gulf News Business 7 Jan 2026 Justin Varghese UAE's new sugar tax is already changing what residents pay for drinks

-BBC News 25 Nov 25 Sugar tax extended to milk-based drinks: What you need to know



UAE's 2025 Commercial Companies Law Overhaul

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The UAE's iconic skyline – here Dubai's skyscrapers – symbolizes the country's rapid development. In October 2025, the UAE took a major step in modernizing its onshore corporate law by issuing Federal Decree-Law No. 20 of 2025, which amends the 2021 Commercial Companies Law (CCL). The reforms, effective late 2025 or early 2026, were explicitly designed to “modernize the UAE's corporate law framework, enhance governance standards, and offer capital flexibility”. In practical terms, they cover a wide range of areas – from how companies can raise money or reclassify their shares, to how they resolve deadlock or move between jurisdictions, all aimed at making UAE businesses more agile and attractive to investors.



Expanded Scope and Free-Zone Integration

One headline change is the expanded reach of the Companies Law. The new Decree makes clear that branches or representative offices of free-zone companies (including financial free zones like ADGM or DIFC) doing business “onshore” are subject to the CCL. In other words, a Dubai Internet City company that opens a mainland UAE branch must now follow the same company law rules as a local firm, even while remaining subject to its free-zone regulator. The law even refers to such free-zone entities as “UAE companies” when they operate outside their zone. This removes longstanding ambiguity: free-zone businesses cannot escape mainland regulations if they serve the broader UAE market. The practical impact is greater consistency: free-zone branches “must be compliant with the Commercial Companies Law and any other applicable UAE legislation for mainland companies” when active onshore. For companies structured across zones (common in real estate, manufacturing and tech sectors), this means reviewing compliance frameworks and ensuring any mainland activity is covered by the CCL.

Flexible Capital Structures and Contributions

The amendments give companies new flexibility in how they divide and fund ownership.

Share classes: For the first time onshore, a limited liability company (LLC) can issue multiple classes of shares with different rights – for example, shares with extra voting power or priority on dividends, akin to venture- or private equity-style arrangements. The Cabinet will issue regulations specifying allowable classes and rules, and all classes must be publicly registered to ensure transparency. This is a game-changer for startups and growing businesses: they can now structure financing rounds onshore with preferred stock or split economic vs. governance rights, instead of having to use offshore entities. This reform “enables onshore UAE companies to adopt sophisticated capital structures” including multiple series of preference shares.

In-kind contributions: Companies can now formally accept non-cash assets in exchange for equity. Under the new rules, any in-kind contribution (IP, real estate, equipment, etc.) must be valued by accredited experts, following Ministry of Economy standards. The required approval by valuers (with special rules for listed companies) creates clear accountability – without it the contribution could be void. In practice, this makes it much easier to inject a patent or property into a business as capital. For example, a founder could swap intellectual property for shares, or a group could transfer assets up to a holding company without lengthy formal sales. As Greenberg Traurig notes, standardized valuations “open up greater flexibility for founder contributions of IP or other non-cash assets, internal reorganisations and roll ups”. Together, these changes – share classes and in-kind contributions – give onshore UAE firms tools long familiar in other markets, closing a gap that often pushed investors offshore.

Governance and Shareholder Protections

The Decree also upgrades corporate governance and exit mechanisms.

Exit rights: Previously common contract clauses like drag-along and tag-along rights (allowing majority owners to force a joint exit sale, or minorities to “tag along” on the same terms) have now been embedded in company law. Both LLCs and private joint stock companies (PJSCs) can include these rights directly in their charters. In practical terms, this means shareholders’ agreements become somewhat redundant for exit rights – the terms are now recognized by statute. However, existing pre-emption rules still apply to transfers unless explicitly waived, so parties often still need to coordinate share transfer waivers. Likewise, succession on death is addressed: the amendments allow a company (or surviving owners) to buy a deceased shareholder’s stake at a predetermined price. This formalizes family-company and joint-venture succession planning, reducing disputes over whether the business should or must buy out heirs.

Deadlock and board duties: Governance continuity gets a boost. If shareholders deadlock over a board appointment, a regulator (e.g. the local Department of Economy) can appoint an independent director for up to one year to break the tie. This prevents stalemates that could otherwise paralyze a private company. On the flip side, the law tightens directors’ obligations: for the first time, all company directors must act with due care and loyalty, and disclose related-party deals above certain thresholds. Some companies (for example larger or listed entities) may now be obliged to have independent directors. Record-keeping is sharpened too: firms must maintain detailed board minutes, conflict-of-interest registers, and file more governance disclosures. In short, boards and shareholders now operate under clearer rules for both rights and responsibilities. As Clyde & Co observes, these changes “enhance exit mechanisms” and “facilitate planning,” while allowing outside board appointments to resolve deadlock.

Capital Raising, Corporate Actions and Mobility

Several reforms simplify raising capital and corporate reorganizations.



Private placements

PJSCs can now offer securities via private placements on UAE markets (with Securities & Commodities Authority approval) instead of going public. This means growth-stage companies can tap institutional investors through a regulated onshore market channel, without a full IPO. In tandem, founder share lock-ups (previously a strict 12-month rule) can be lifted or shortened for private offerings or listings, further easing investment exits.



Conversion and continuity

Converting an LLC to a joint stock company is more streamlined. Under the old law, a founders' committee had to organize the conversion and a board had to be formed in advance. The new law lets the existing management handle the conversion (subject to approvals) and removes the requirement to pre-establish a board or appoint an auditor beforehand. This is useful for companies preparing for an IPO or large financing, as it removes time-consuming procedural hurdles.



Redomiciliation

Perhaps the boldest change is that companies can now move their legal home within the UAE without dissolving and reincorporating. Subject to shareholder votes and regulator sign-off, a company may transfer its registration between emirates, between onshore and a free zone, or even from a foreign jurisdiction into the UAE, while keeping the same legal entity. This statutory "redomiciliation" means a business can retain its contracts, licenses, assets and history in one entity – rather than winding up one company and starting another. For example, a Dubai-located LLC could shift into Abu Dhabi or into ADGM (or vice versa) to access specific licenses or courts. Norton Rose explains that this preserves the company's full history and lets it continue unchanged under a new regulator.



Streamlined procedures

The Decree also tidies up routine corporate actions. Shareholder meeting rules now explicitly allow electronic or remote participation, and give clearer notice, quorum and voting requirements for capital increases, reductions, mergers and other reorganizations. Mergers and capital reductions in particular are made easier, with designated processes to speed approvals. One analyst notes that these changes "materially expand the range of credible structuring and transaction options" for UAE companies.

Practical Implications for Businesses



Startups and High-Growth Ventures: Founders can onshore more sophisticated funding and exit structures. For example, a tech startup may issue preferred shares or class-B units to investors on UAE soil, without having to use a DIFC/SPC holding company. They can also offer equity-for-assets – say, swapping IP for shares – under clearer valuation rules. In addition, capital is "sufficient" rather than high, and fully paid at inception, giving flexibility to undercut heavy paid-in capital requirements.



Investors (Local and Foreign): Minority shareholders and foreign investors gain statutory protections that were previously enforced only by contract. New drag-along/tag-along and pre-arranged succession rules improve exit certainty. Private equity firms can push for enhanced protections directly in a company's charter, which should strengthen enforcement. Meanwhile, knowing that free-zone subsidiaries must follow onshore law if they sell into the domestic market gives investors clarity about their legal rights. And PE or venture capital funds will welcome the ability of PJSCs to raise money via private placements and simplified conversions to joint-stock form (for eventual IPO).



Governance and Compliance Professionals: Companies must update their governance practices. Boards need to ensure directors meet the new duty standards and disclosure obligations. Deadlock-breaking clauses can be implemented (even if practically enforced by regulators), and disputes over share transfers or inheritances may be litigated under the clarified rules. Compliance teams in free-zone companies will have to monitor whether any activity triggers onshore CCL compliance. In general, legal counsels should review corporate documents – articles of association, shareholder agreements, etc. – to align with the new regime and take advantage of the fresh options (e.g. explicitly waiving pre-emption if needed to enable a tag-along).



Corporate Restructuring: The statutory ability to relocate a company or seamlessly convert it in form will affect mergers and reorganizations. Businesses can plan internal mergers, carve-outs or jurisdictional shifts without messy asset transfers. For instance, a manufacturing group might consolidate all IP into a single holding company via in-kind contributions, or shift an operational arm into a different Emirates to optimize licensing, all while retaining legal continuity.

Enhancing UAE's Business Competitiveness

Taken together, these reforms signal that the UAE is doubling down on an investor-friendly environment. By aligning onshore company law with international financing norms, the UAE reduces the need for complicated offshore workarounds. As analysts note, the amendments “modernize the statutory landscape for onshore UAE companies” and “increase the UAE's appeal for investors and sponsors”. They embed familiar legal tools (like share classes and exit mechanics) that international investors expect, and they introduce new flexibility (like redomiciliation) that many jurisdictions lack. In practice, this should help attract and retain capital: investors can structure deals on UAE soil, and businesses can grow in the UAE rather than relocating elsewhere.

In sum, Federal Decree-Law No. 20 of 2025 provides a comprehensive update of the Commercial Companies Law. By expanding corporate forms, enabling more flexible ownership arrangements, and formalizing capital-raising and restructuring mechanisms, the UAE has moved closer to global best practices. For legal and business professionals, the task now is to apply these tools in practice. As one law firm put it, companies should reassess their structures and agreements in light of the new freedoms, potentially simplifying governance and facilitating future finance or exit strategies. Ultimately, the reforms reinforce the UAE's competitive profile: a jurisdiction that continually evolves its laws to serve a dynamic, investment-driven economy.



When Governance Fails: Court Lifts Corporate Veils

By

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Dubai's highest civil court – the Dubai Court of Cassation – has recently delivered two landmark rulings underscoring that UAE corporate law holds managers and companies to strict governance and shareholder duties. Both cases involve limited liability companies (LLCs) and illustrate that serious breaches of fiduciary duty or statutory obligations can lead to **personal liability for managers**, effectively piercing the LLC's corporate veil. Each case offers a clear warning to boards and executives: rigorous compliance with the Commercial Companies Law and good governance practices is non negotiable. Below we summarize the facts, court decisions, and practical lessons from each case for business leaders and compliance teams.

Case Study 1: Manager Misconduct and LLC Veil Piercing

Facts: An LLC contracted to renovate a yacht and received full payment upfront, but then failed to complete the work. The claimant obtained a **DIFC** arbitration award for **AED 3,157,062.19** against the company. When enforcement was sought, the claimant discovered the company had **no assets**: the manager and partners had allegedly drained the company's funds. The claimant sued the LLC, its shareholders, and its manager personally, seeking to hold the manager liable for the losses.



Court Decision & Reasoning: The Dubai Court of Cassation upheld an earlier finding that the manager was personally liable. The court emphasized that under UAE law (particularly the Federal Commercial Companies Law), a manager may be liable for “management errors, negligence, fraud, abuse of authority, and violations of the law or the company’s articles of association”. In this case, a court appointed expert found the manager had failed to keep proper accounting records or financial statements – a serious breach of the Companies Law – and had co-mingled or withdrawn company funds even before the arbitration award issued. These violations obstructed enforcement of the award. The court noted that liability requires a wrongful act, damages, and causation. Here the manager’s misconduct directly harmed the claimant (by hiding assets needed to pay the award). Thus, the Cassation confirmed the trial court’s holding: the manager’s *bad faith negligence and deliberate misuse of company funds* amounted to a breach of his duties, justifying piercing the corporate veil. The manager was ordered to personally compensate the claimant for the loss.

Implications: This decision powerfully reinforces that managers in UAE LLCs **cannot hide behind the corporate form** when they breach their duties. The Commercial Companies Law (Federal Law No. 32/2021, replacing earlier Company Law provisions) expressly prohibits directors and managers from carrying out fraudulent or grossly negligent acts and requires them to keep accurate books and separate company assets. Here, failure to follow these obligations – including keeping financial records and ensuring audited statements – led to personal liability. For executives, the ruling signals that even in a closely held company, acting in bad faith or willfully neglecting statutory duties (such as accounting, capital maintenance, and honest management) can expose them to claims from the company’s creditors or third parties.

Governance Lessons – Key Takeaways:



Maintain accurate records. Ensure books and statutory financial statements are prepared and audited as required. The Companies Law mandates up to date accounting – failure to do so was a key factor in this case.



Keep finances separate. Avoid any mingling of personal and company funds. Financial independence of the company was lacking here, which helped justify piercing the veil.



Honor fiduciary duties. Always act in the company’s and shareholders’ best interests. Abuse of authority or concealment of profits (as occurred here) can trigger liability.



Document decisions and actions. Maintain clear records of board decisions, distributions, and compliance efforts. In any dispute, detailed documentation can show that directors fulfilled their duties.

Case Study 2: Minority Shareholder Rights and Withheld Dividends

Facts: A 34% minority shareholder in a Dubai LLC found that its co owners had **neglected all shareholder formalities for nearly 20 years (2003–2022)**. The managers never convened a single annual general meeting, never declared or distributed any profits, yet the company was doing business profitably. The minority shareholder sued, claiming this pattern violated its rights and deprived it of dividends.

Court Decision & Reasoning: The Dubai Court of Cassation affirmed the lower courts' rulings in favor of the minority investor. It held that the LLC and its managers were jointly liable for withholding profits and violating the shareholder's rights. The court ordered the company and the managers to pay about AED 28 million – the amount of unpaid dividends calculated by an expert – to the shareholder. Critically, the court "pierced the corporate veil" by extending liability beyond the company to its individual managers. The cassation judges underscored that statutory duties (to call AGMs, declare profits and distribute dividends) are fundamental, and failing to perform them breaches the fiduciary duties owed to shareholders. Even though LLCs normally protect managers from personal liability, the court found that egregious governance failures (two decades without meetings or profit distributions) warranted holding the managers personally accountable. The higher courts (Court of Appeal and Cassation) all reinforced that shareholder protections are enforceable and that managers face consequences for ignoring them.

Implications: This landmark ruling sends a clear message: minority shareholders in the UAE have enforceable rights, and the courts will not tolerate long term mismanagement or financial opacity. Under the Commercial Companies Law (as amended), an LLC is required to hold annual meetings and fairly distribute profits to shareholders. By upholding the AED 28m judgment, the Court of Cassation has signaled that managers who deprive investors of these statutory benefits do so at their own peril. For directors and investors, the case highlights the importance of transparency and shareholder engagement: ignoring the formalities of corporate governance (even in a closely held LLC) can trigger costly litigation and personal risk.

Governance Lessons – Key Takeaways:



Hold mandatory meetings on time. Ensure annual general assemblies are convened as required by law and the company's charter. These meetings are not mere formalities.



Declare and distribute profits. Adhere to dividend policies and share net profits with shareholders. Unnecessarily hoarding profits or permanently reinvesting them without shareholder approval can breach fiduciary duties.



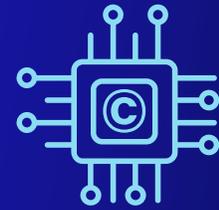
Respect minority rights. Engage with all shareholders, especially minorities, on business decisions and financial results. A proactive approach can prevent disputes and buildup of hidden liabilities.



Understand veil-piercing risk. In the UAE, persistent corporate governance failures can lead courts to ignore the LLC's limited liability shield, holding managers (and sometimes even owners) personally liable.

These cases illustrate that UAE courts, particularly the Court of Cassation, are willing to enforce corporate law and protect investor rights. Business leaders and boards in Dubai should view them as reminders that good governance is the best risk management. By maintaining proper accounts, observing all corporate formalities, and acting in good faith, companies and their managers can avoid the severe outcomes seen here.

AI in The Courtroom: Hallucinations, Copyright, and Liability



As artificial intelligence rapidly transforms the practice of law, courts worldwide are grappling with novel challenges. One recent case exemplifies this shift. In **Arabyads Holding Ltd v. Gulrez Alam**, the Abu Dhabi Global Market (ADGM) Court sanctioned lawyers for submitting a defense containing scores of AI-generated errors. The brief over 327 paragraphs long cited numerous non-existent cases and misquoted authorities. Because the attorneys failed to verify the AI's outputs, Justice Heath KC deemed their conduct "reckless" and ordered them to pay the opposing party's costs. In short, this landmark ADGM ruling sends a clear message: lawyers remain fully responsible for the accuracy of any AI-assisted research, and misuse of generative tools can lead to sanctions.

The ADGM judgment is striking for several reasons. It is one of the first AI-misuse decisions in the Middle East, and it squarely addresses the problem of AI **hallucinations** in legal research. According to the court, the defendant's pleading was "prolix" and rife with fictitious citations errors that could not have arisen "without the improper use" of an AI tool. The lawyers blamed time pressure and language barriers, but the court held that such excuses do not relieve an officer of the court of the duty to verify every authority. As one ADGM commentator summarized, AI "may suggest cases, but such cases should always be read thoroughly. The AI tools cannot understand nuance... Lawyers must still read cases in full". Because the counsel never checked whether the cited cases even existed, the court found a breach of professional obligations and ordered them to pay AED 282,508 in wasted costs. In other words, relying blindly on AI in litigation is no defense attorneys must independently review AI-generated content or face liability.



Global Precedents: IP and AI Gone Awry

This ADGM case is part of a broader wave of AI-related disputes shaping the law. In the U.S., for example, **Thomson Reuters v. Ross Intelligence** dealt with AI training data and copyright. Ross Intelligence had tried to build an AI legal search tool by training on Thomson Reuters' Westlaw headnotes. In 2025 Judge Bibas held that Ross's wholesale copying of thousands of copyrighted headnotes constituted infringement. The court granted summary judgment to Thomson Reuters on direct infringement claims and explicitly **rejected Ross's fair-use defense**. In practical terms, Thomson Reuters signals that companies cannot assume creative content can be scraped into AI models without authorization. Using proprietary legal texts to train AI was deemed unlawful, underscoring that existing copyright rules apply even in the age of AI.

Another landmark is **Coomer v. Lindell** in Colorado. There, lawyers for MyPillow CEO Mike Lindell employed a generative AI system to draft a reply brief in a defamation case. The result was a disaster: the court identified "nearly thirty defective citations," including multiple completely made-up cases. When confronted, the attorney admitted he had "drafted a motion...and then we ran it through AI" without checking the output. Judge Nina Wang fined each lawyer \$3,000, remarking that AI verification "isn't optional—it's a professional obligation". Coomer thus became a **neon-red-blinking cautionary tale**: even absent bad faith, failing to vet AI-generated legal arguments can lead to sanctions.

A third major case comes from the world of art. In **Andersen v. Stability AI**, well-known cartoonists sued Stability AI (and other AI platforms) for copyright infringement, alleging their works were ingested into the AI training set. In August 2024 the Northern District of California refused to dismiss the artists' claims. Judge Orrick found it plausible that the AI model effectively "compress[ed] 100,000 gigabytes of images" into its neural net, enabling it to "recreate" copyrighted images on demand. Thus both direct and induced infringement claims were allowed to proceed. As the court noted, generative AI cannot simply be shoehorned into old legal analogies: whether the model infringes "depends on how Stable Diffusion works" – a question for trial. In short, Andersen and related lawsuits signal that using copyrighted material to train or run AI art generators carries serious IP risk, and legal norms will evolve accordingly.

Lessons and Best Practices

Together, these cases send a unified message: Artificial intelligence is a powerful tool, but it does not absolve users from legal duties. Lawyers remain officers of the court with an ongoing duty to ensure accuracy, and businesses must respect IP and data rights when deploying AI. Governance leaders and business owners should heed these precedents and adopt clear policies. For example, firms using AI in legal or compliance work must always verify the results – treat AI outputs as tentative hypotheses, not facts. Attorneys should personally review AI-generated citations and disallow any filing until every reference is confirmed. Similarly, companies that train AI models should audit their data sources and secure licenses where needed.

Key practical takeaways include:



Verify before trusting AI. Every case or fact suggested by an AI model must be checked against primary sources. As courts have warned, failing to do so can mislead the tribunal and breach ethical duties.



Maintain professional oversight. AI can aid efficiency, but it cannot replace judgment. Lawyers should supervise any AI-assisted research. If a user cannot competently evaluate AI outputs, they must decline to use that content.



Respect intellectual property. Do not assume that data on the internet is free for AI training. Copying protected works into AI (whether legal headnotes, news articles, or artwork) can trigger copyright claims. Organizations should verify they have rights to all training material.



Document and govern AI use. Adopt formal AI usage policies. Keep audit logs showing when and how AI was used. Train staff to spot “hallucinations” (nonsense or fake content) and to correct them. Consulting legal counsel when adopting new AI tools is wise



These cases and guidelines underscore that AI-generated errors have very real consequences. For legal professionals, the ADGM ruling and its counterparts around the world demonstrate that sloppy AI reliance can be treated as professional negligence. For business leaders, the lesson is similar: technology may automate tasks, but it does not automate accountability. Companies integrating AI must build guardrails – technical and procedural – to ensure outputs are accurate and lawful. In the end, the ADGM decision and cases like Thomson Reuters, Coomer, and Andersen all point in the same direction: the law will hold users liable for AI’s mistakes, so human oversight and compliance are non-negotiable.



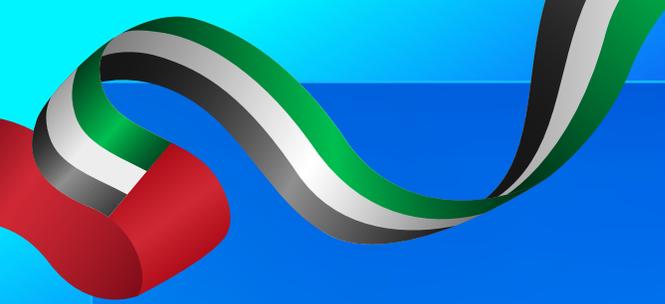
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