

MICS

Comprehensive Financial Services

TAXATION ON NATURAL PERSONS

Simplified for you

MINISTRY OF FINANCE



وزارة المالية

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Our Videos/ Webinars On **CORPORATE TAX**

- **Part 1 – Taxable Persons & Basis of Taxation**
<https://youtu.be/Tp9fKHQaTn8>
- **Part 2 – Exempt Persons & Free Zone Persons**
<https://youtu.be/l7-BpTYJL8E>
- **Part 3 – Calculation of Taxable Income**
<https://youtu.be/HKkC3OWzq44>
- **Part 4 – Transfer & Set Off of Losses and Calculation of Corporate Tax Liability**
<https://youtu.be/qcZg5wDM5FE>
- **Part 5 – Groups & Tax Groups**
<https://youtu.be/f4rJmR89WEQ>
- **UAE Corporate Tax Simplified (Public Consultation Document)**
<https://youtu.be/O5KdVbETdo4>
- **SMEsouk presents Webinar on Corporate Tax**
<https://youtu.be/8C9Ta0hp0kQ>
- **UAE CT Law Simplified (Federal Decree Law)**
<https://youtu.be/lGABzmHg64c>
- **UAE CT Law : Revaluation of Assets & Liabilities**
<https://youtu.be/zQL2dsK-lFc>



Our Webinars/Seminars/Staff Training



19 MAY, 2022

Understanding Public
Consultation
Document



23 JUNE, 2022

Understanding
UAE CT
with SMEsouk



19 DEC, 2022

UAE CT Law
Simplified (Federal
Decree Law)



25 MAY, 2023

Unravelling
UAE CT



14 JUNE, 2023

UAE CT:
Taxability of Free
Zone Entities



21 JUNE, 2023

Seminar at Dubai with
ICAI Dubai Chapter/
Khaleej Times



10 AUG, 2023

UAE CT:
Simplifying freezone
taxation

Our Webinars/Seminars/Staff Training



17 AUG, 2023

UAE CT:
"Revaluation of
Assets/Liabilities"



26 AUG, 2023

Seminar at Abu Dhabi
with ICAI Dubai
Chapter/Khaleej
Times



31 AUG, 2023

UAE CT: Investment
Fund & Fund Manager
Taxation



12 SEPT, 2023

Staff Training for
Shipping industry



14 SEPT, 2023

Decoding UAE CT In
partnership with **Tally
Solutions**



15 SEPT, 2023

Staff Training for
real estate
industry



27 SEPT, 2023

Simplify UAE CT In
association with **Dubai
eye & EY**

UAE CT Opinion articles in leading newspapers

11 Sep 2023 **Impact of corporate tax on real estate investors in the UAE**

↳ www.khaleejtimes.com/business/impact-of-corporate-tax-on-real-estate-investors-in-the-uae

18 Sep 2023 **Impact of corporate tax on Investment funds investment managers and investors**

↳ www.khaleejtimes.com/business/impact-of-corporate-tax-on-investment-funds-investment-managers-and-investors

25 Sep 2023 **Impact of corporate tax on freezone entity**

↳ www.khaleejtimes.com/business/uae-impact-of-corporate-tax-on-free-zone-entities

2 Oct 2023 **Impact of corporate tax on manufacturing companies**

↳ www.khaleejtimes.com/business/impact-of-corporate-tax-on-manufacturing-companies

23 Oct 2023 **Exempt Income**

↳ <https://www.khaleejtimes.com/business/exempt-income-provisions-under-uae-corporate-tax>

26 Oct 2023 **Tax Groups**

↳ www.khaleejtimes.com/business/impact-of-corporate-tax-on-real-estate-investors-in-the-uae



UAE CT Opinion articles in leading newspapers

31 Oct 2023 **Transfer Pricing and arms Length Principle, Documentation**

↳ www.khaleejtimes.com/business/navigating-global-business-the-art-of-transfer-pricing-and-the-arms-length-principle

5 Nov 2023 **Commodity traders in UAE**

↳ www.khaleejtimes.com/business/exciting-news-for-commodity-traders-in-the-uae-on-corporate-taxation

11 Nov 2023 **UAE's single-digit corporate tax regime: Redefining global standards for fiscal efficiency**

↳ www.khaleejtimes.com/business/uaes-single-digit-corporate-tax-regime-redefining-global-standards-for-fiscal-efficiency

10 Dec 2023 **MNE Taxation**

↳ www.khaleejtimes.com/business/beyond-borders-unpacking-the-impact-of-corporate-tax-on-multinationals-in-the-uae

19 Dec 2023 **Accounting standards**

↳ www.khaleejtimes.com/business/decoding-accounting-standards-insights-for-modern-businesses

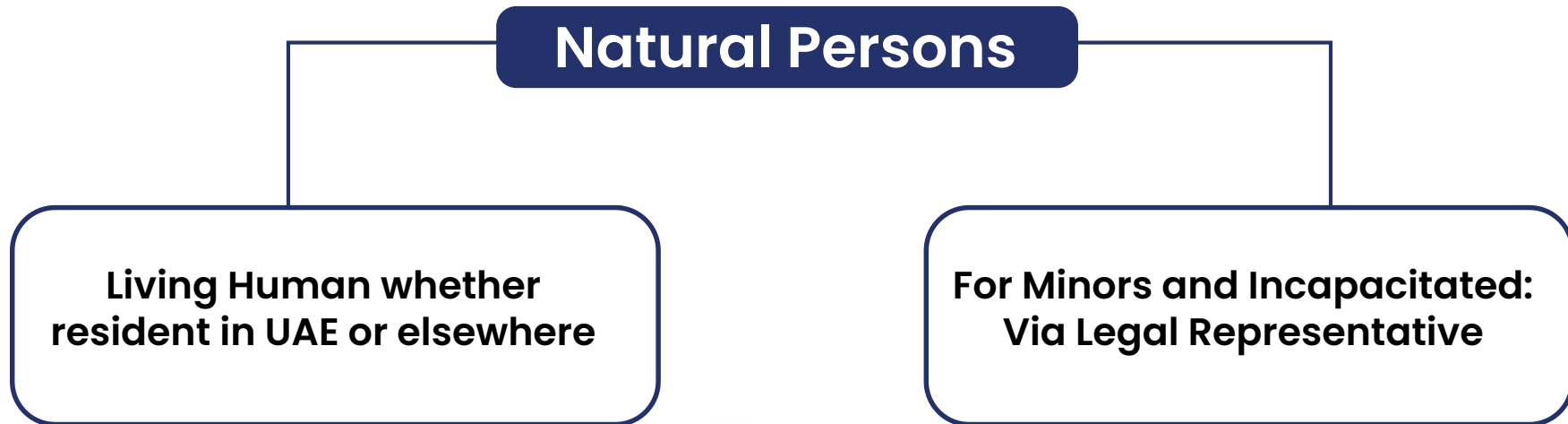


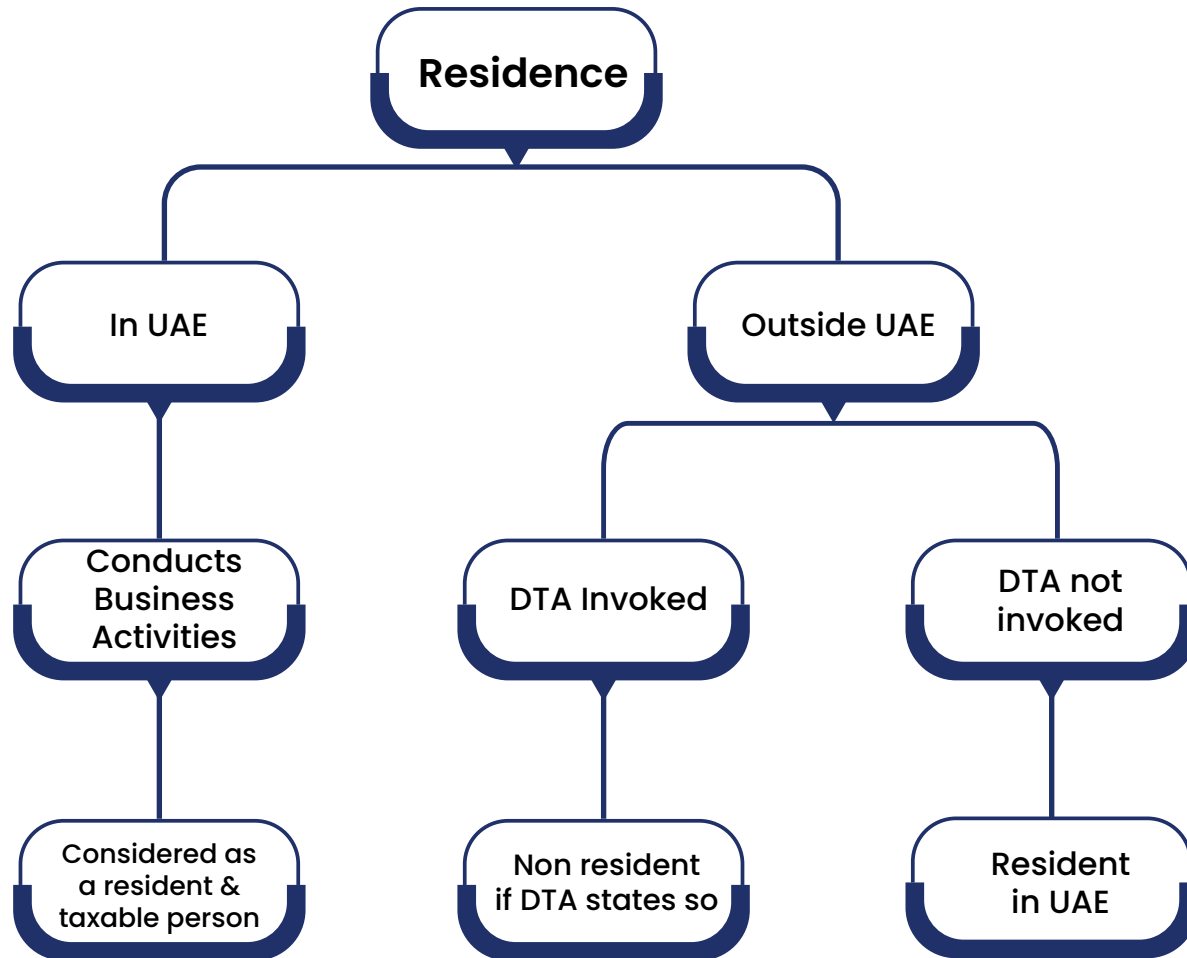
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In this Webinar We will understand about

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▪ Taxable Income For a Natural Person	12
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Natural Person: Definition





Considerations

- Conducts Business Activities in UAE
- Turnover exceeds AED 1 Million in a Gregorian Calendar Year
- Wage, Personal Investment Income, and Real Estate Investment not considered

Example: A natural Person working from UAE

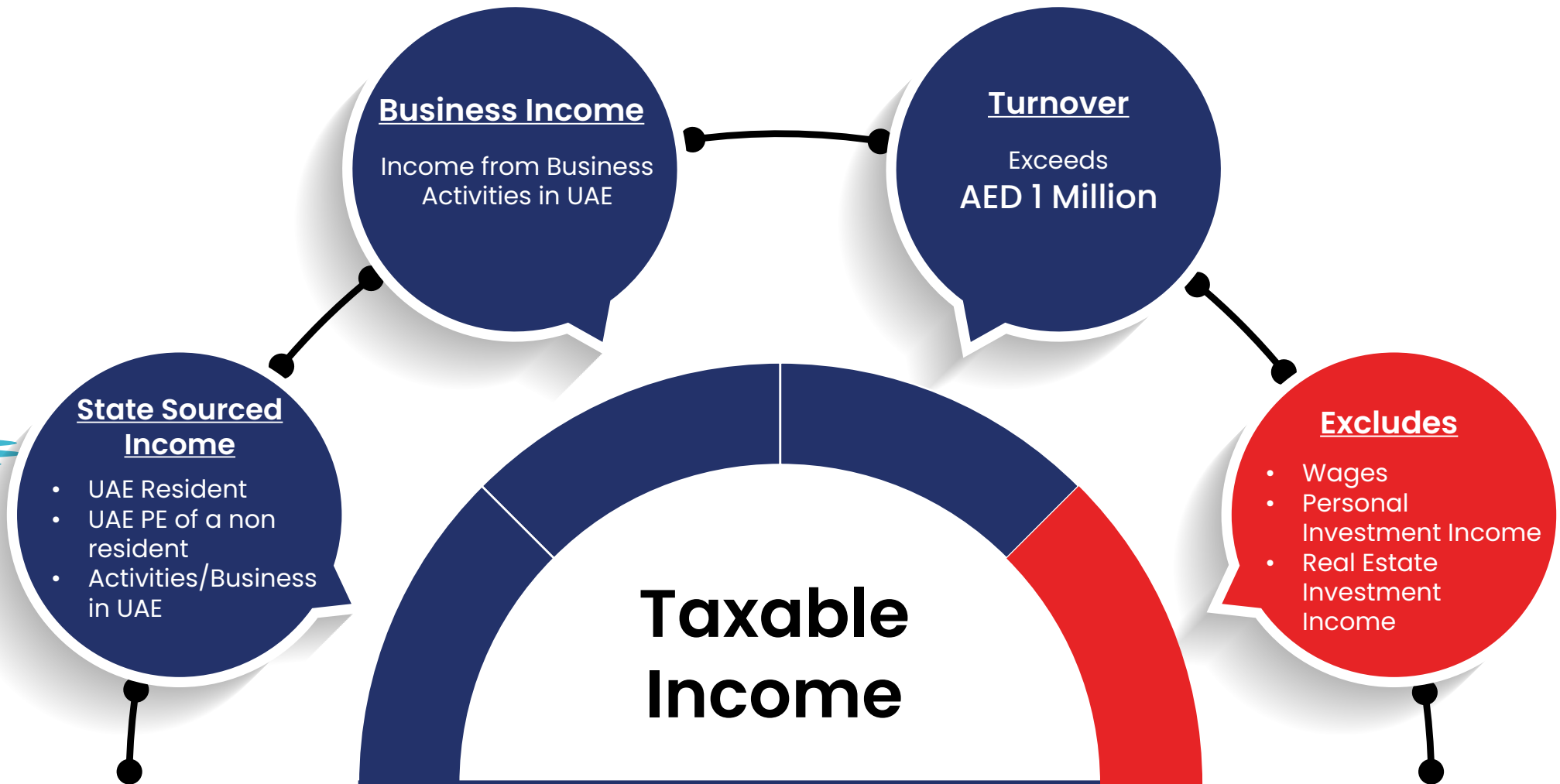


Key Points

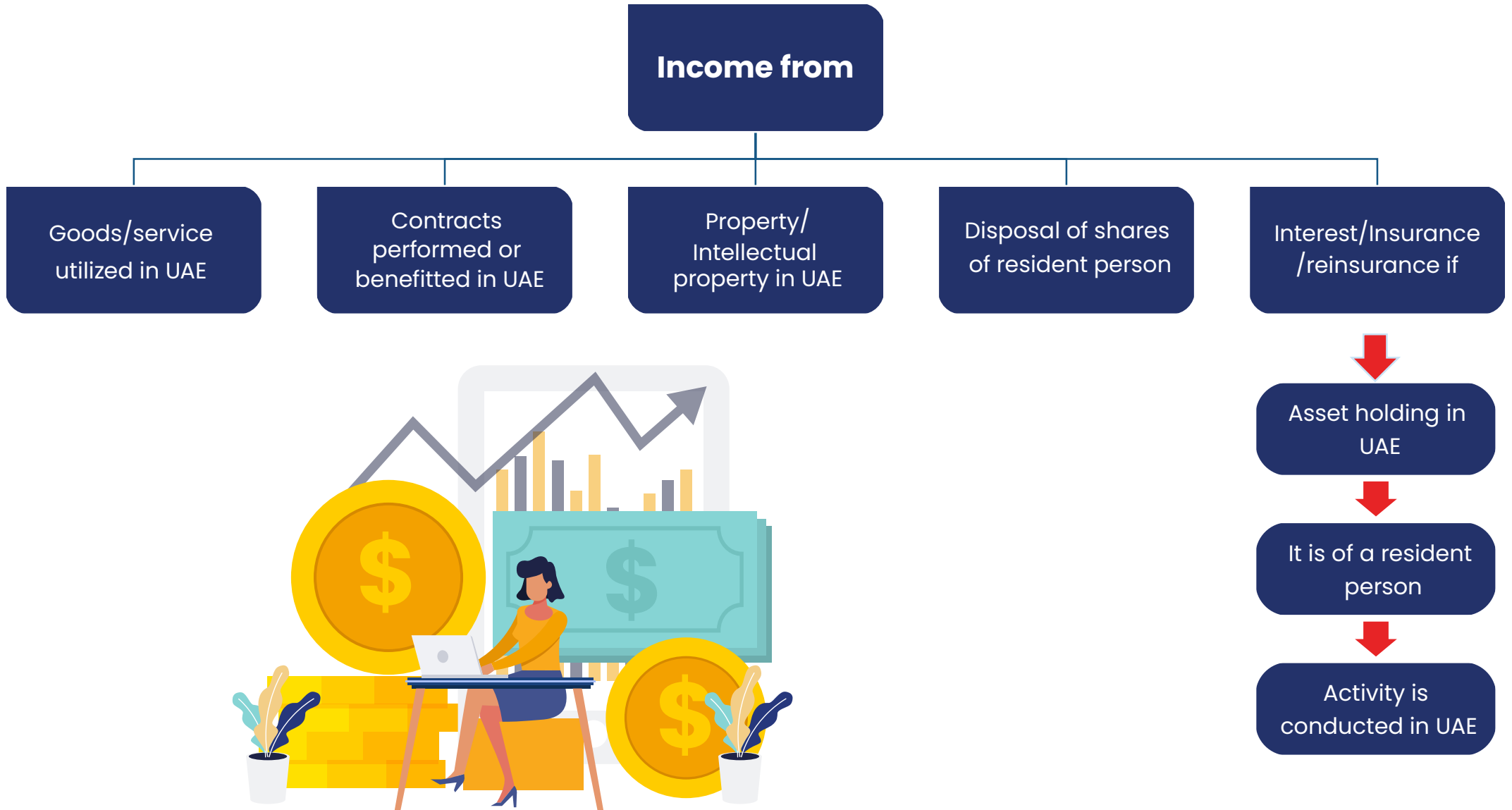
- Business or Business activity conducted, Considered Resident.
- Turnover > AED 1 million

Hence, he is taxable.

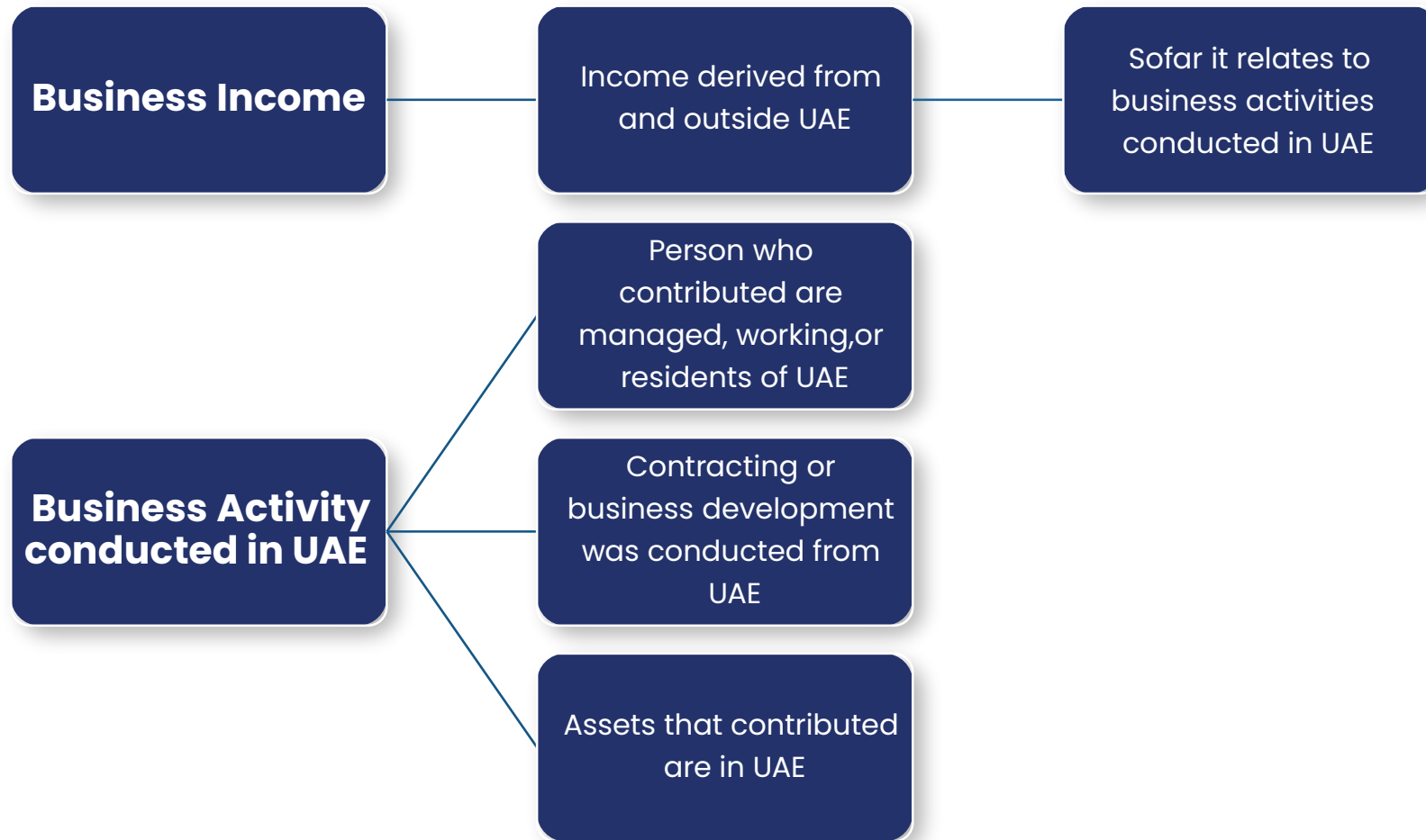
Taxable Income for Natural Person



State Sourced Income



Business or Business Activities



Example : Self Employed, providing consultancy services



Total Turnover: **AED 1,200,000**
Net Profit: **AED 900,000**

Key Points

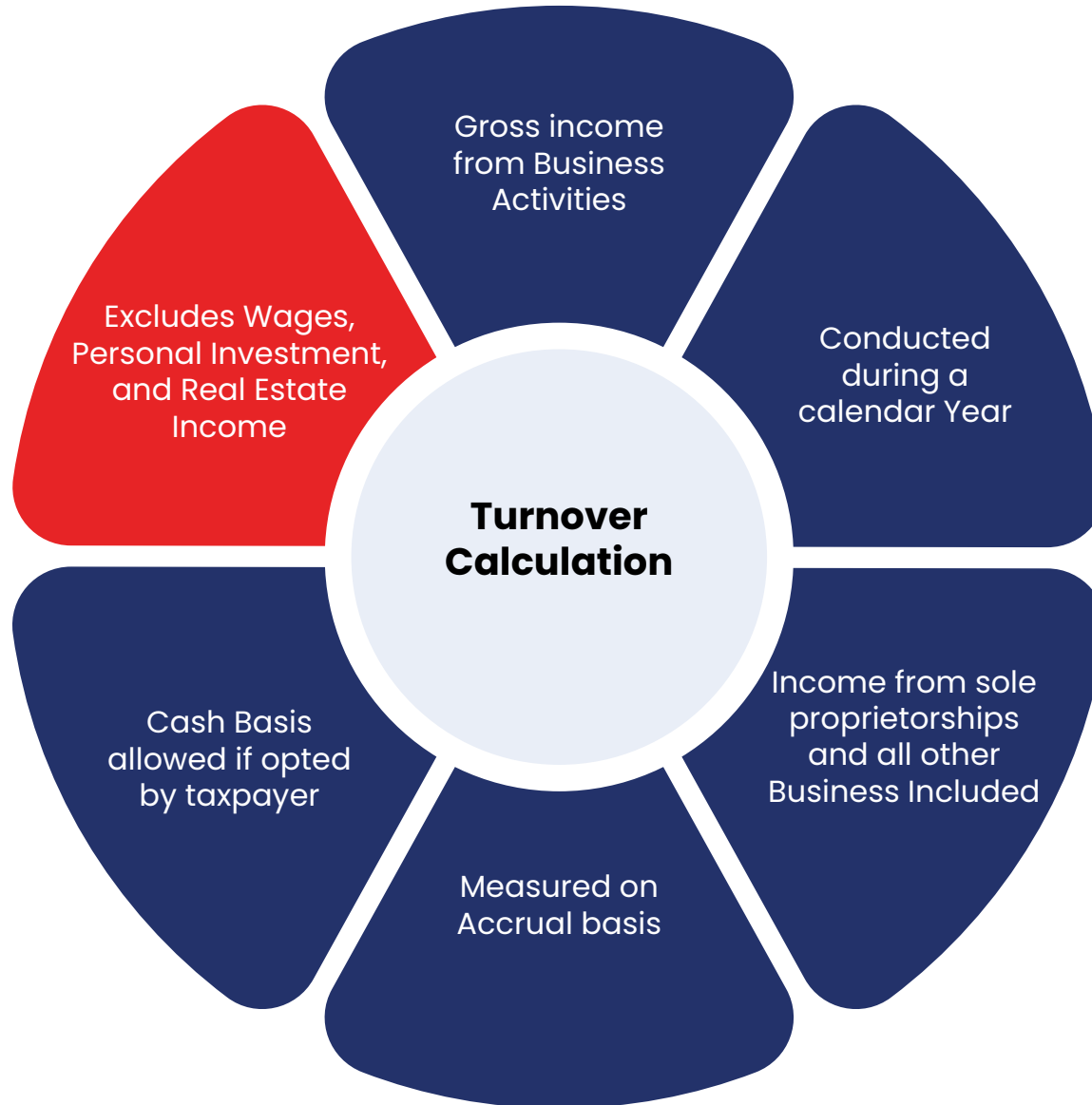
- Business or Business activity conducted, Considered Resident.
- Turnover > AED 1 million

Hence, Subjected to Corporate Tax.

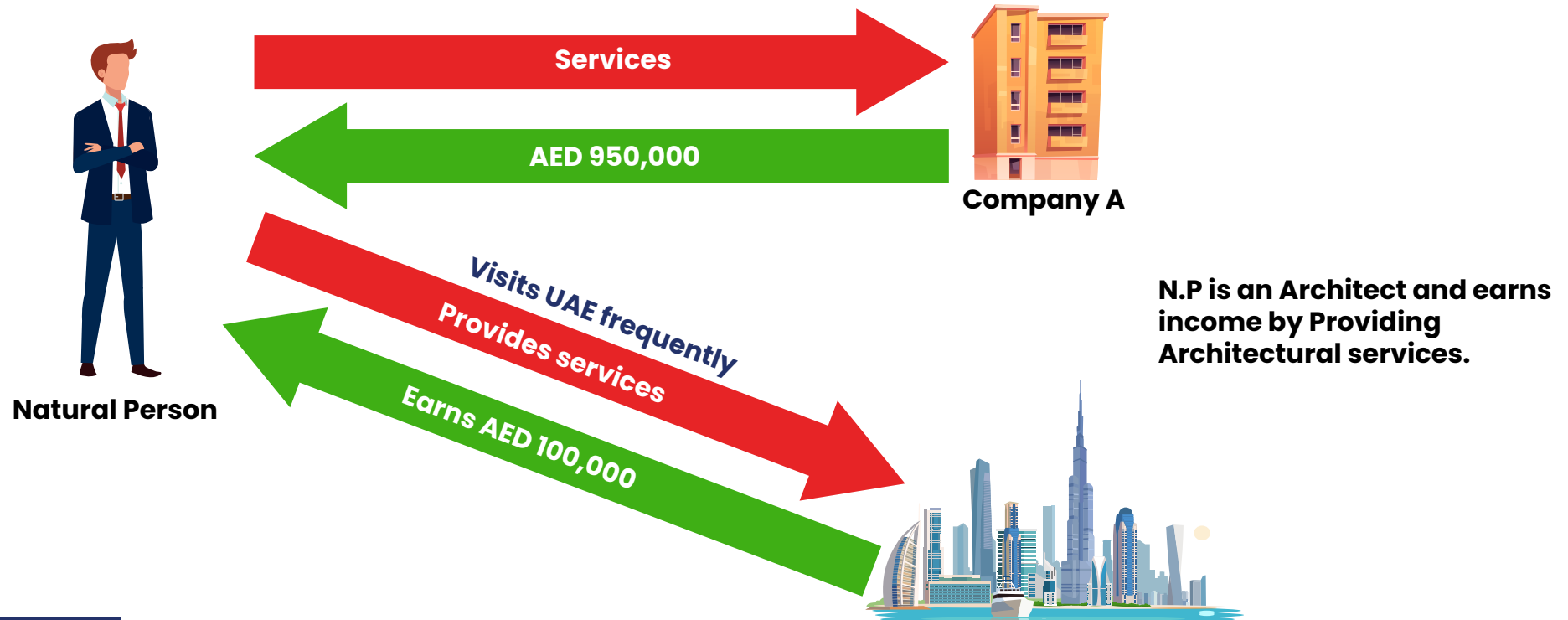
Tax Calculation: Net Profit: AED 900,000

- **0% Rate – First AED 375,000.**
- **9% Rate – Rest AED 525,000.**

Calculation of Turnover



Example: Natural person conducting business overseas with business activity in the UAE.



Key Points

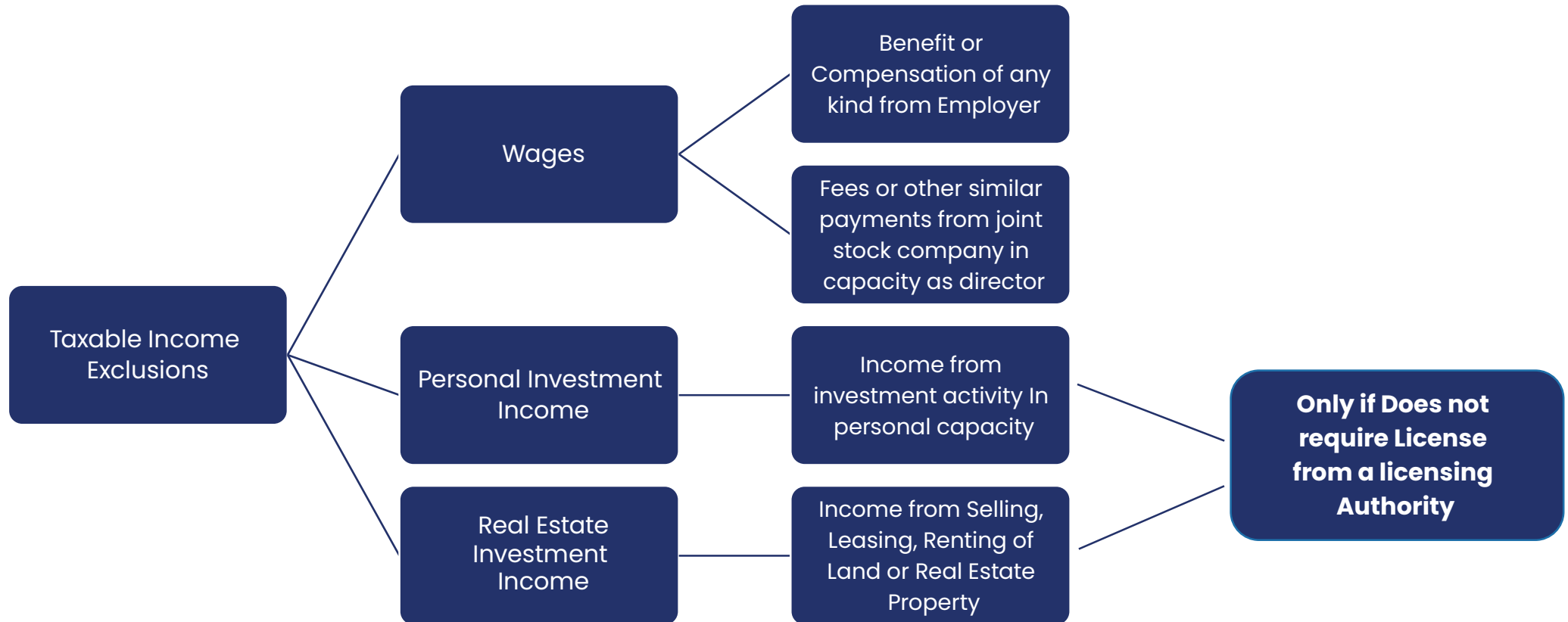
- Income Earned in:
Country A : AED 950,000.
UAE: AED 100,000

As it is Business or Business activity, Considered Resident.

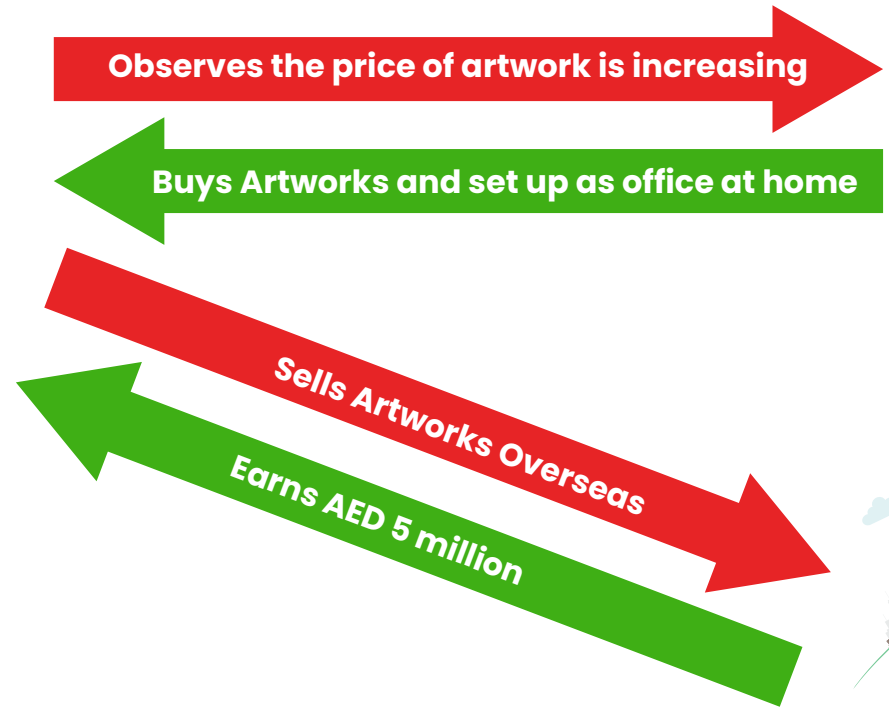
- Total Turnover > AED 1 million but Turnover from BA < AED 1 million

Hence, he is not subjected to tax.

Exclusions from Taxable Income



Example: Natural Person Selling artwork

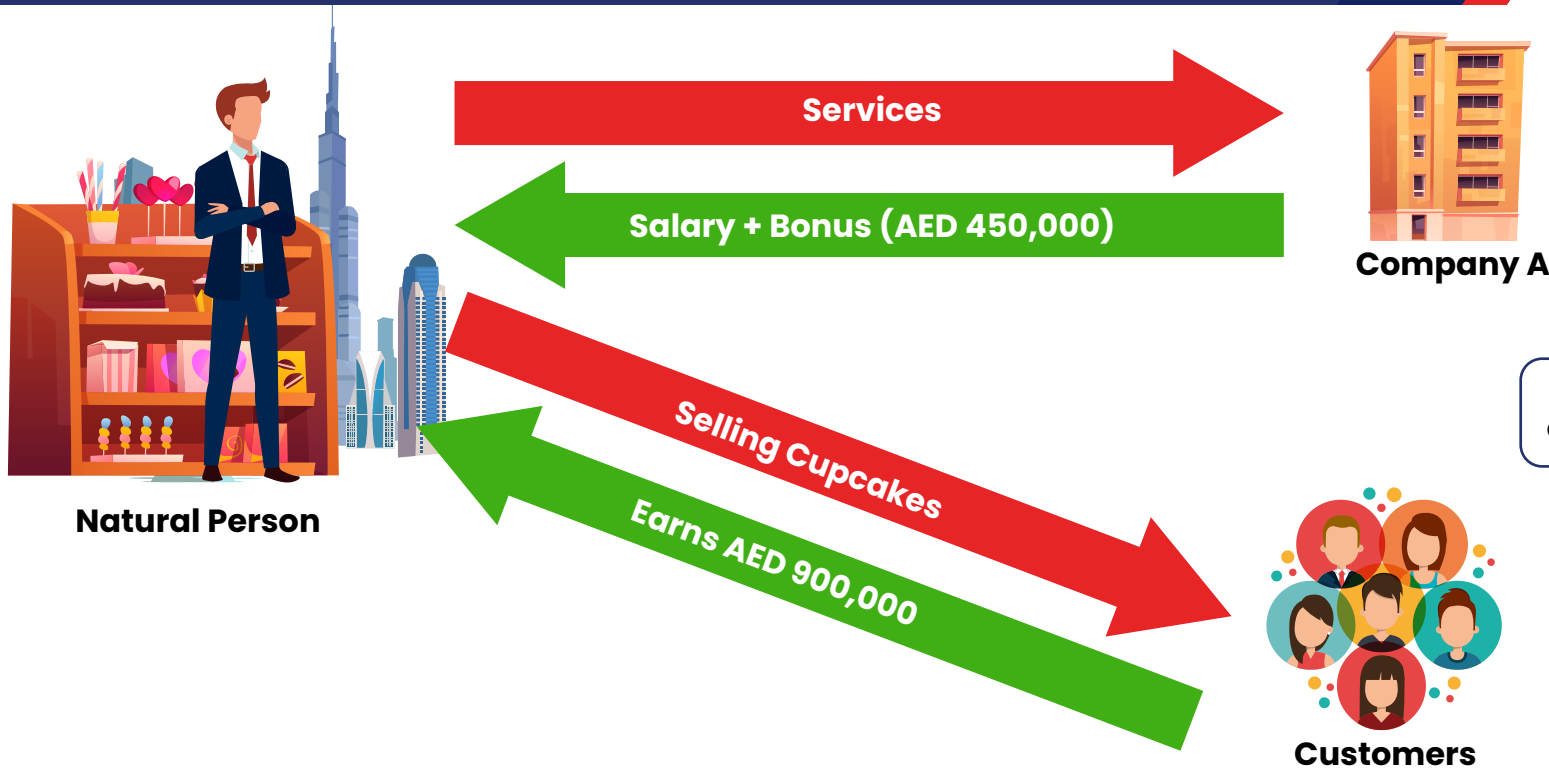


Key Points

- Income Earned in: AED 5,000,000.
- Business or Business activity conducted.
- Total Turnover > AED 1 million within Gregorian Calendar year

Hence, he is subjected to tax.

Example: Natural person earning income from sales of goods and wage.



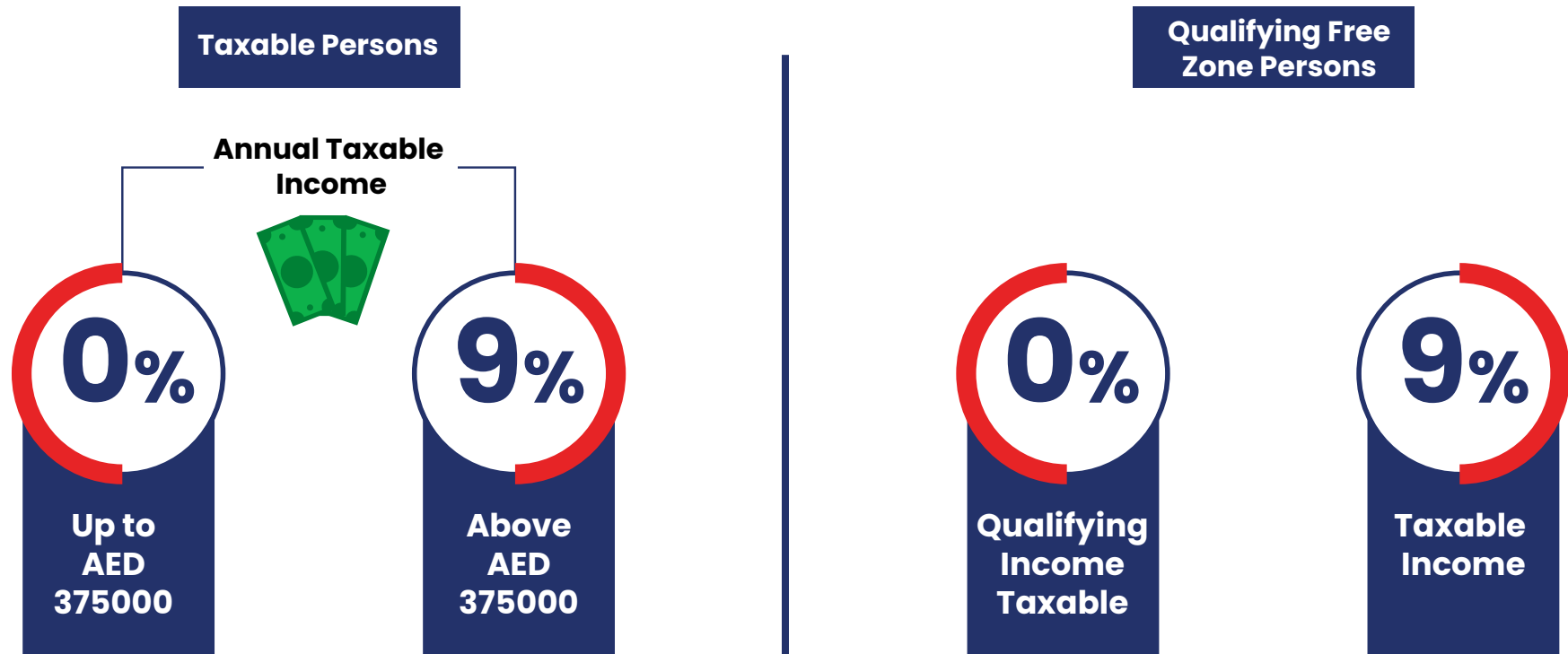
N.P is from UAE. He works at a company and bakes cupcakes.

Key Points

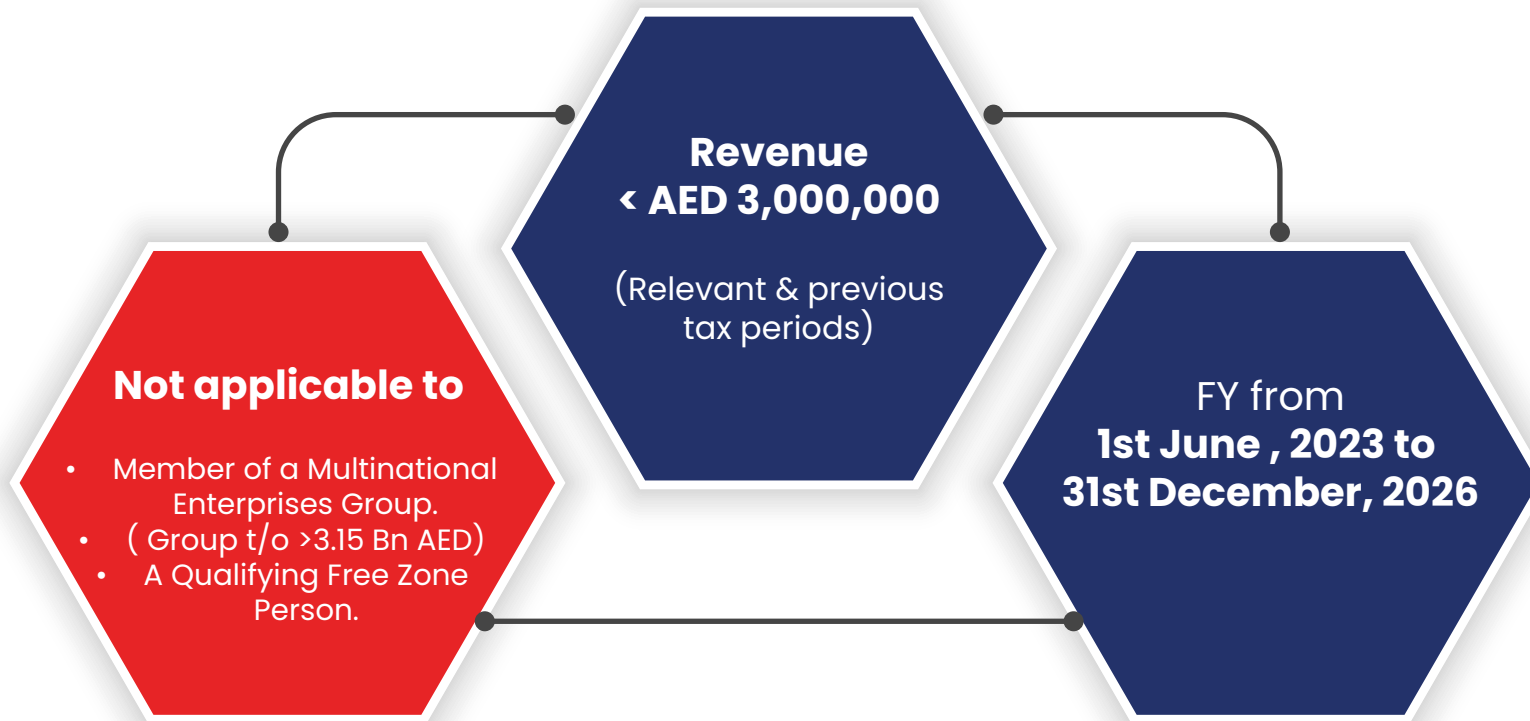
- Income Earned
 - By Wage: AED 300,000 + 150,000 bonus = **AED 450,000 (Not Taxable)**
 - By Selling Cupcakes: **AED 900,000**, As it is Business or Business activity, **Considered Resident.**
- Total Turnover: 1,350,000 > AED 1 million but **Turnover from B.A is 900,000 < AED 1 million.**

Hence, he is not subjected to tax.

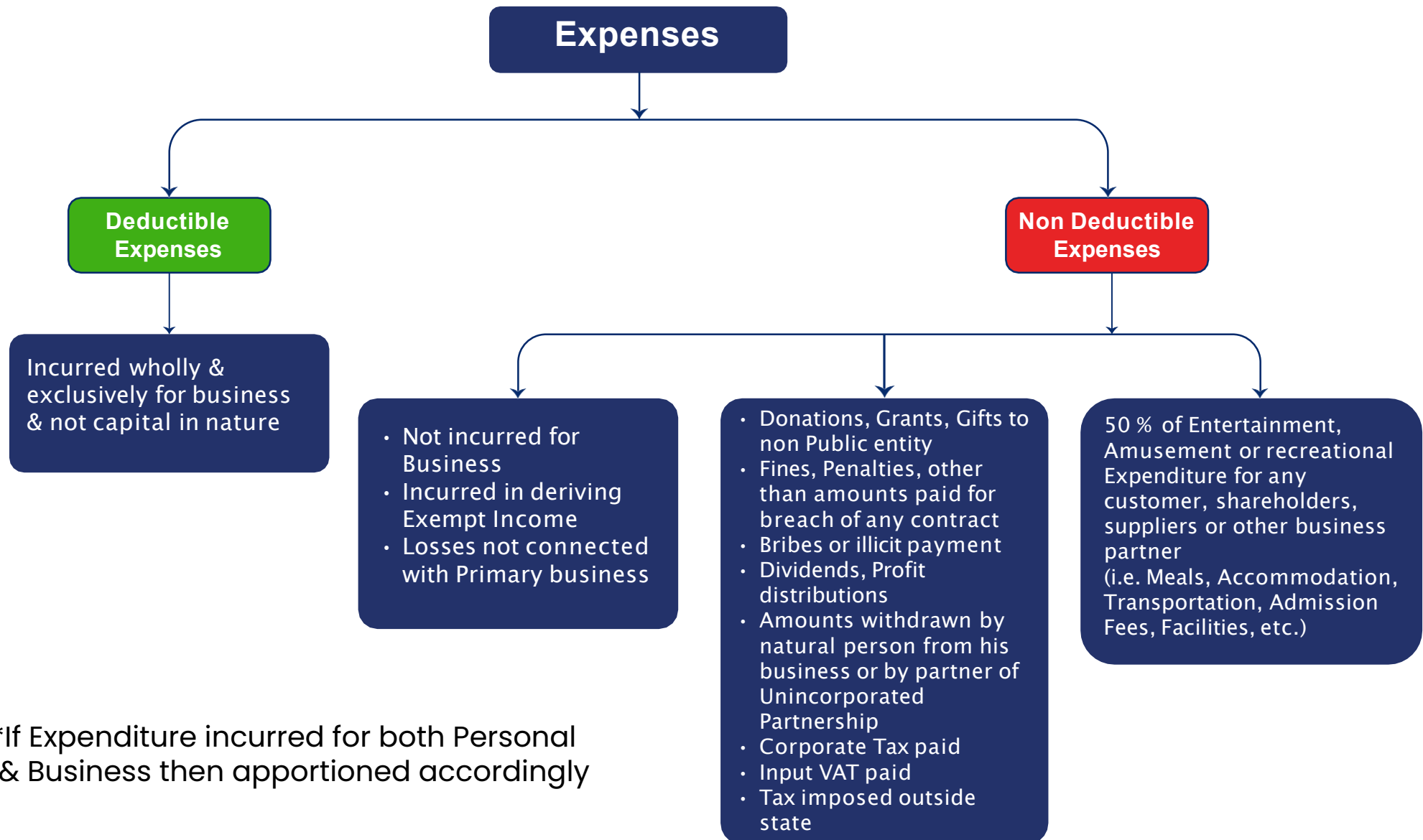
The Corporate Tax Rate



Small Business Relief (Ministerial Decision 73/2023)



Deductible & Non Deductible Expenses



*If Expenditure incurred for both Personal & Business then apportioned accordingly

Related Parties for Natural Persons

Natural Persons

1 Considered Related if relationship is within fourth degree of Kinship or affiliation

Juridical Persons

2 Relationship is identified on 2 basis

- Based on Ownership
- Based on Control

Partners

3 Partners in an Unincorporated Partnership.

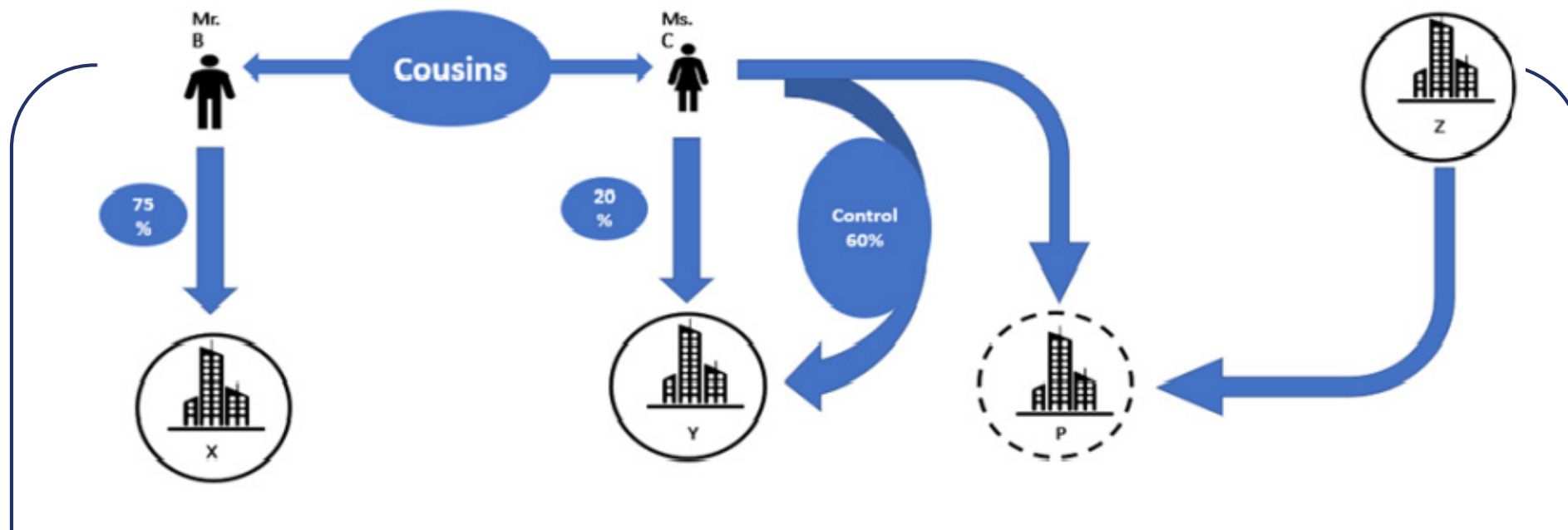
Trusts & Foundations

4 Trustee, Founder, Settlor or beneficiary

Connected Persons

5 Payments are deductible only if they conform arm's length principle

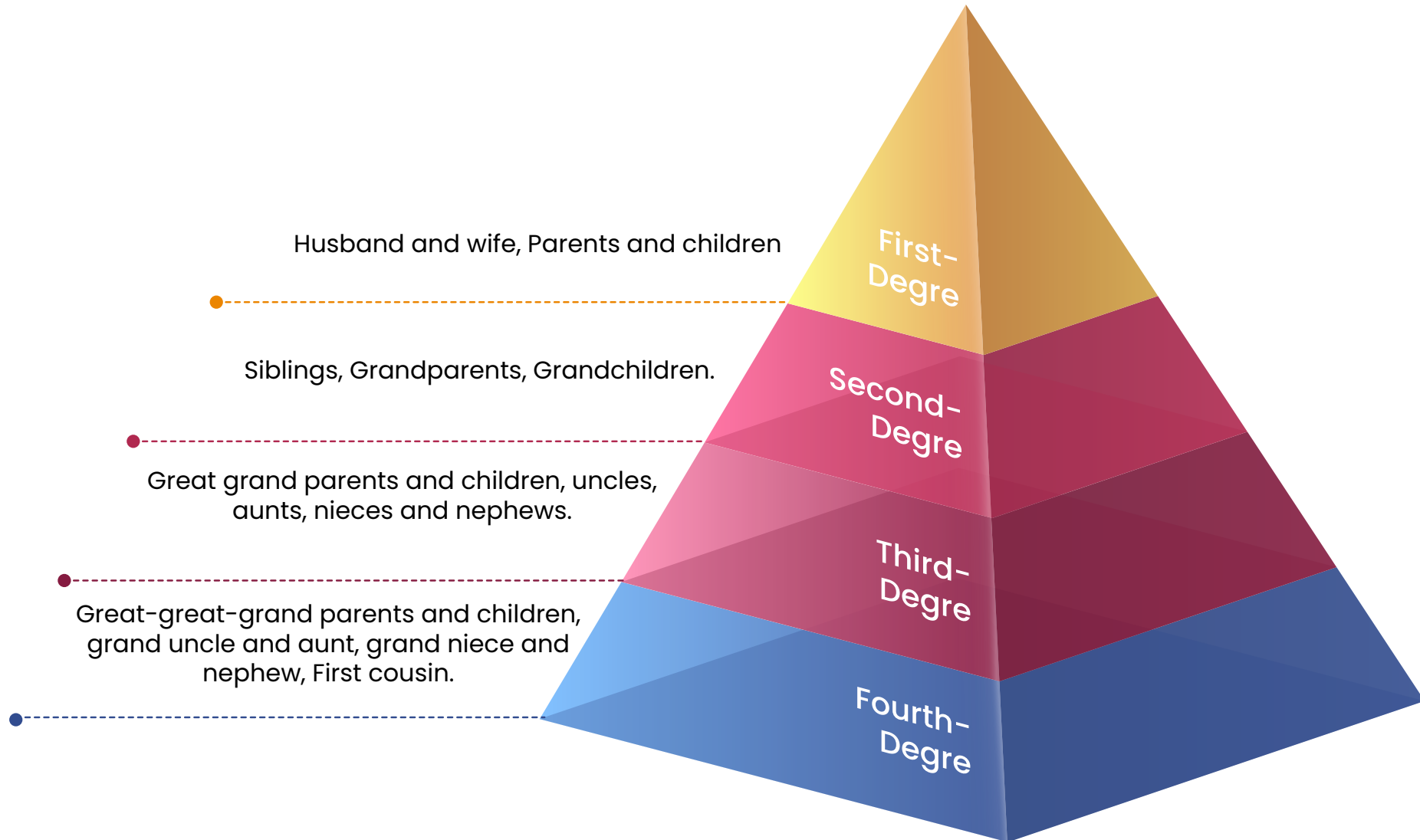
Related Parties for Natural Persons



- Mr. B and Mrs. C are related.
- Mr. B and company X are related, as he owns > 50%.
- Mr. B and company Y are related, as he is related to Mrs. C, and she has control > 50% in company Y.
- Mr. B and Company Y are related, as he is related to Mrs. C. Company Y and Ms. C are in same incorporated partnership.

- Mrs. C and company X are related, as she is related to Mr. B, and he owns > 50% of company X.
- Mrs. C is related to Company Y, despite owning only 20% of its shares, as she holds more than 50% of the voting rights.
- Ms. C and Company Z are Related Parties as partners in Unincorporated Partnership P, making Ms. C a Connected Person of Company Z.

Kinship and Affiliation



Tax Registration

- Registration Requirement: Turnover > AED 1 million
- If registered person opens a new business, Same number will be used.
- If turnover doesn't exceed 1 million in subsequent year, deregistration is not permitted

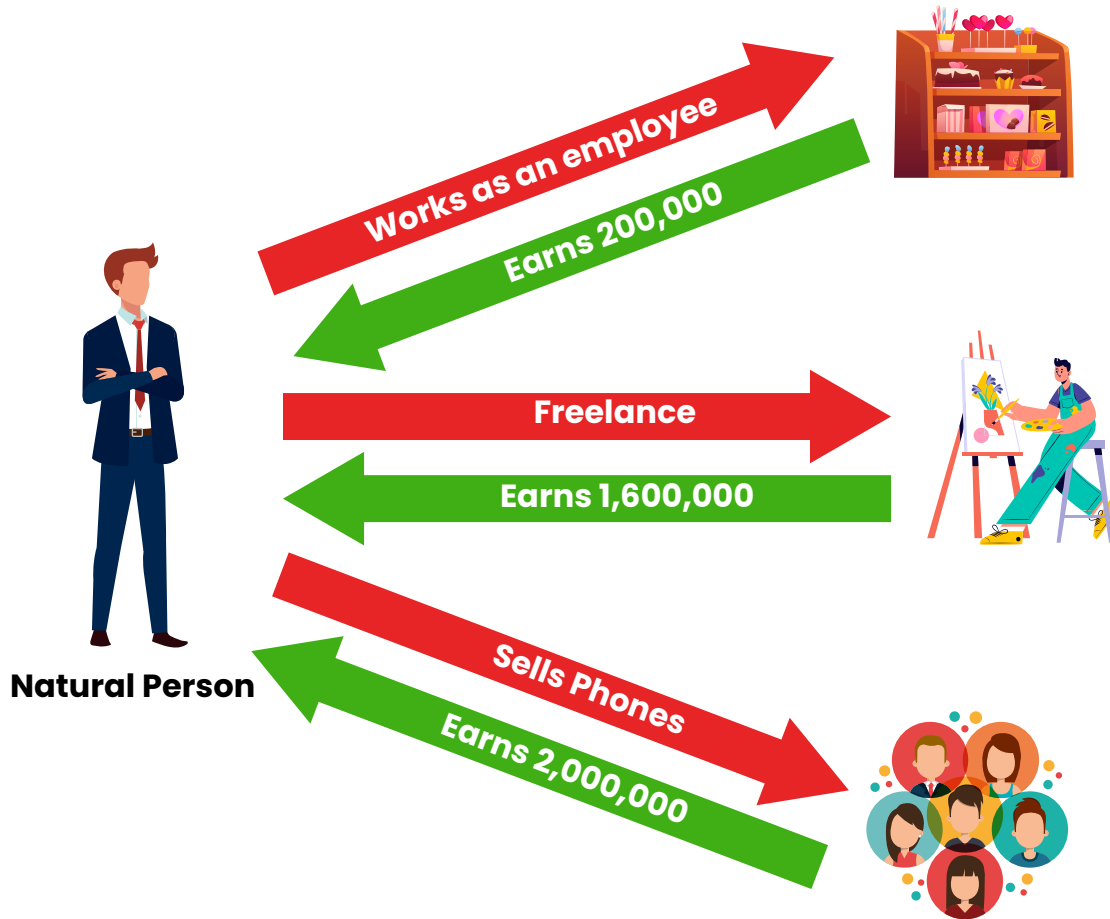
Tax Deregistration

- **Cessation of business activity:**
 - File an application with FTA within 3 months of cessation of all activities.
 - If new activity is commenced in same year of cessation, application is suspended
- **Death of a Taxable Person**
 - Tax prior to death settled from estate value before distribution.
 - If discovered post-distribution, heirs settle outstanding tax based on their respective shares.

Accounting standards & Financial Statements

- SFS as per IFRS if Turnover does not exceed AED 50 Million
- Cash basis of accounting if turnover does not exceed AED 3 Million
- Aggregation of all business activities subject to corporate tax.
- Turnover exceeds AED 50 Million: prepare and maintain audited financial statements
- Financial Year: Jan-Dec

Example: N.P receiving wage and conducts B.A in the UAE



Tax Calculation:

- **Turnover:** 1,600,000 (freelance) + 2,000,000 (selling phones in UAE & Overseas) = AED 3,600,000
- **Expense:** 400,000 (Freelance) + 1,400,000 (Selling phone) = AED 1,800,000.
- **Tax Income:** 3,600,000 - 1,800,000 = AED 1,800,000.
- **Tax Rate:** AED 375,000 * 0% = 0
AED 1,425,000 * 9% = **AED 128,250.**

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