



MI CAPITAL
Comprehensive Financial Services



**MIC
TAX Services**
An Initiative of MI CAPITAL Services



**MIC
Technology Services**
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CORPORATE TAX

IN UAE

Simplified for you

Strictly Private & Confidential

OUR TEAM



Mounir Douaidy, FCA
Chairman



Ala Khannak, FCA
Board Adviser



Sheetal Soni, CA, CFA
Partner



Prateek Tosniwal, FCA
Partner



Mohamed Khannak, CFA
Partner



Chadi El Mekhallalati
Director



Chadi Abdullah
Director



Karishma B Suwarnakar, CA
Manager



Doha Harb
Manager



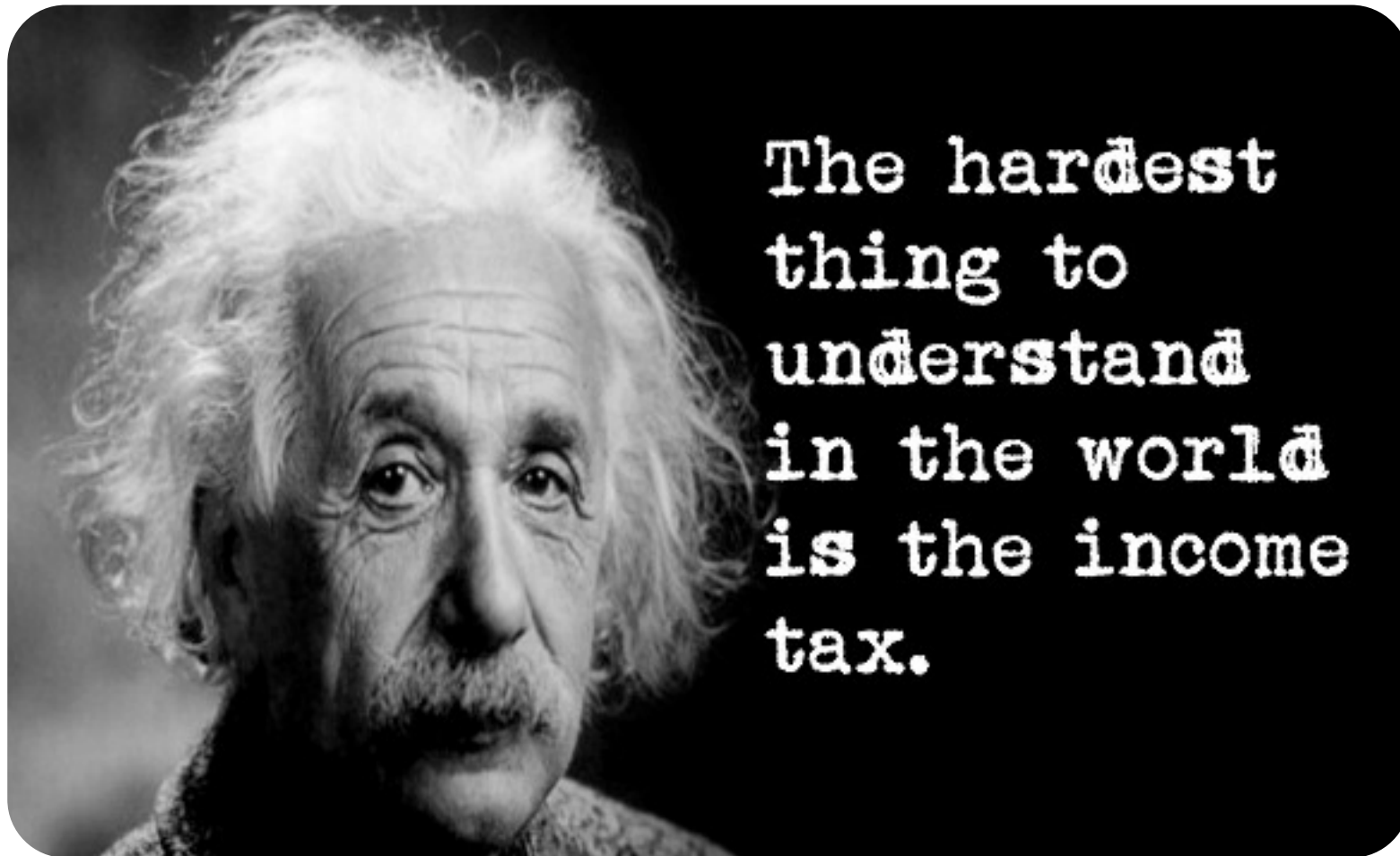
Lara Moussawi
Manager

DISCLAIMER

The following corporate tax webinar is provided by a tax professional and is based on our understanding of tax laws and regulations as of the knowledge cutoff date of May 2023. While we strive to provide accurate and reliable information, we cannot guarantee the completeness or accuracy of the content presented during this webinar. Tax laws can be complex and may vary depending on the specific circumstances and jurisdiction. Therefore, it is essential to conduct independent research and consult the relevant tax authorities to ensure that you have the most current and accurate information. By participating in this webinar, you acknowledge and agree that we shall not be held responsible for any errors, omissions, or damages arising from the use of the information provided. We disclaim any liability for any actions taken or decisions made based on the content of this webinar. The MoF (UAE) and the Federal Tax Authority are the official sources of information on federal taxes in the UAE and should be relied upon.

Thank you for your understanding.

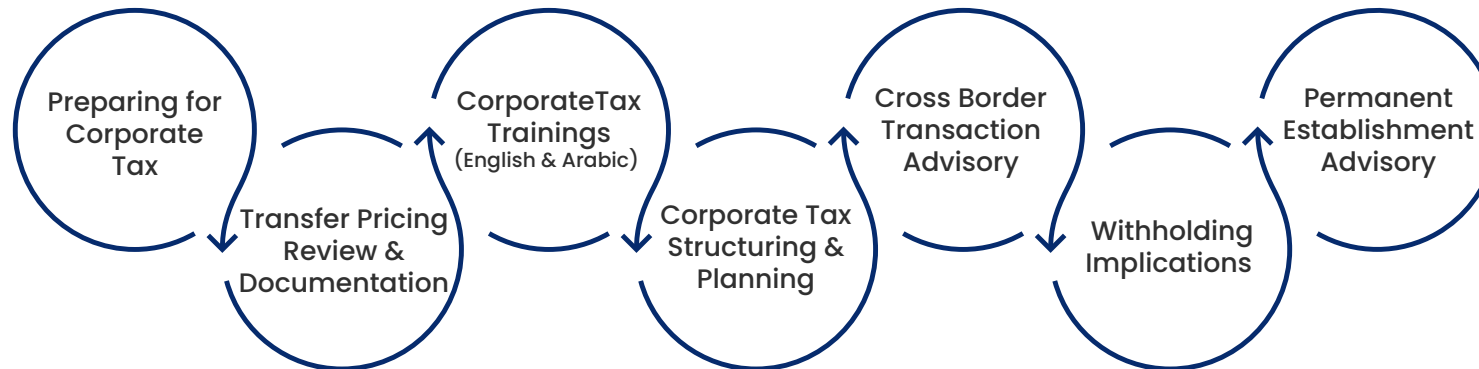
CORPORATE TAX



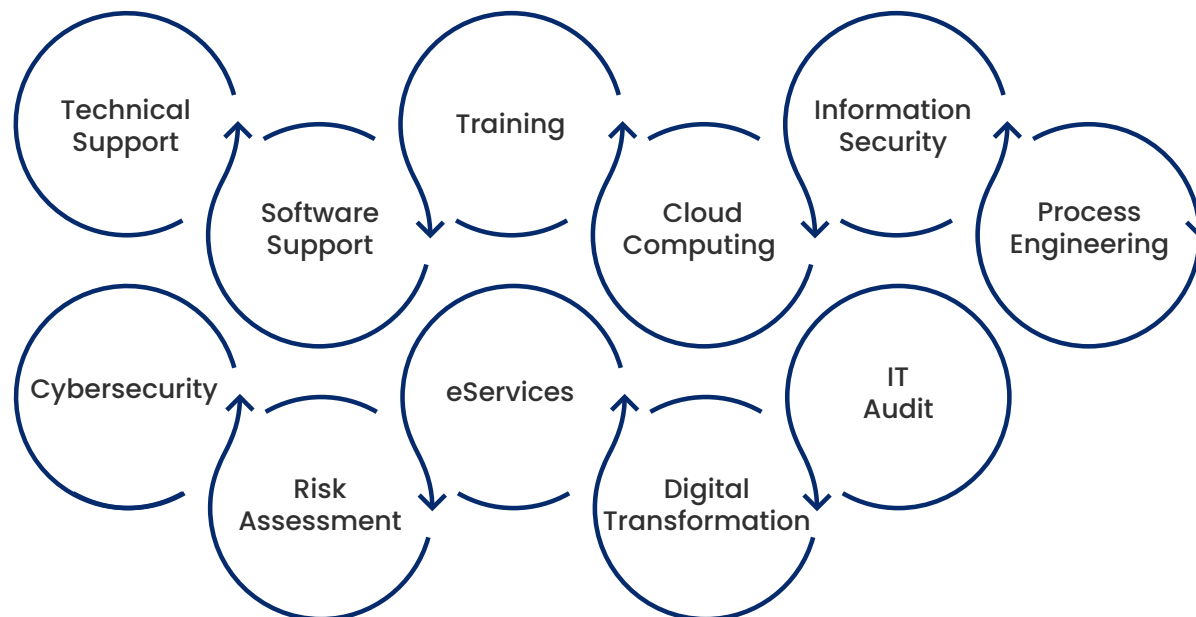
OUR SERVICES

TAX SERVICES

Led by Senior Tax Director



TECHNOLOGY SERVICES (IT/ERP/CYBER SECURITY)



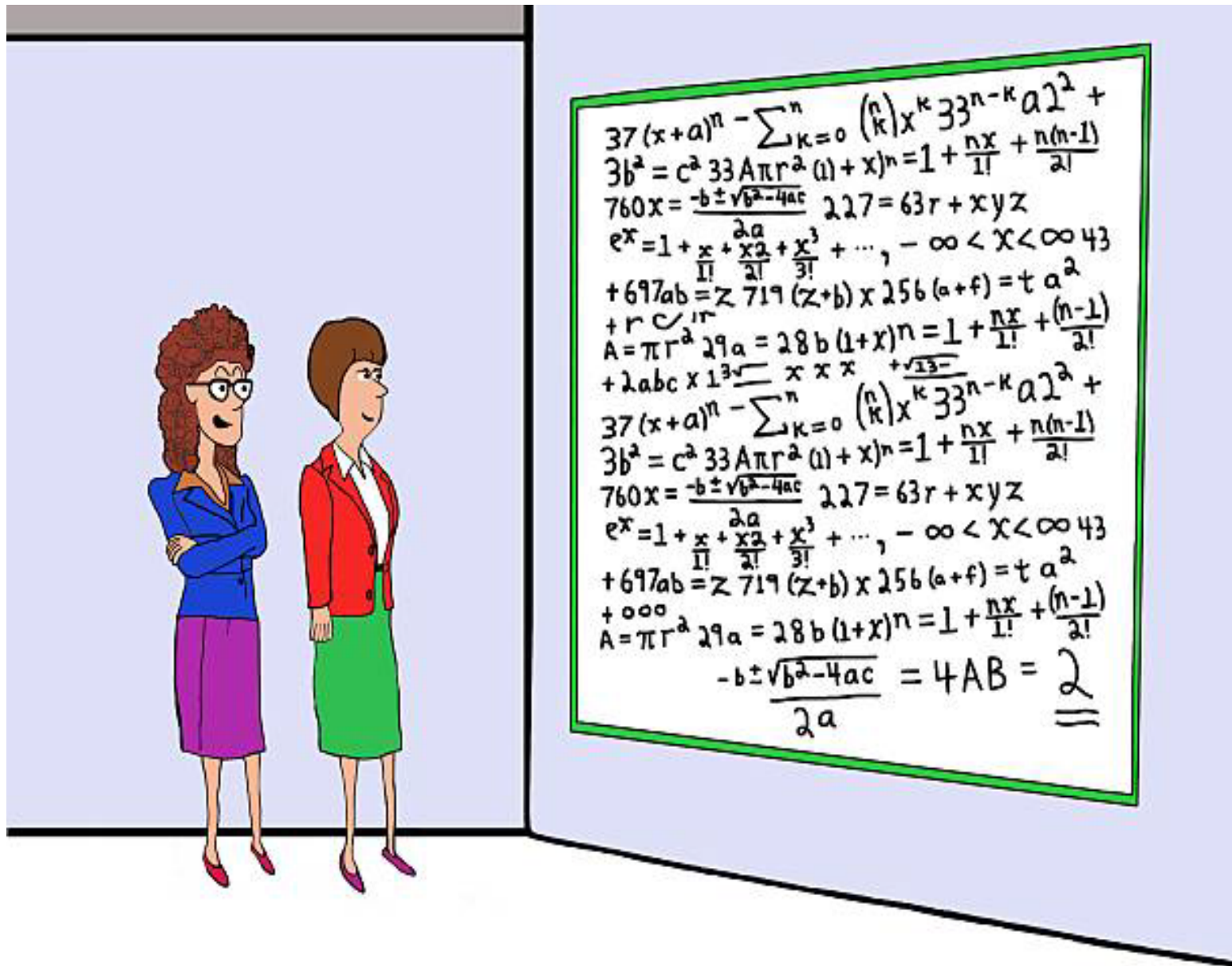
MI CAPITAL

Comprehensive Financial Services

Presents you

BOOK Launch of





“This is the most straightforward tax plan I’ve ever seen.”



SALIENT FEATURES

0% Tax Rate up-to Net Taxable
Income of **AED 375,000 p.a.**

0%

9% on Net Taxable Income

9%

Global Income taxable for UAE
Resident Persons



No Personal Taxation



Special Concession to Qualifying Free-zones*
(subject to satisfaction of certain conditions)



No taxation on Personal "Investment Income"
(Rental Income, Dividends, Income from Debt/Equity Securities)



Small business relief upto
AED 3 Million revenue*



0% Withholding Tax



Provisions for Tax Group, C/F of losses



To be effective from 1st June 2023 & applicable
for Financial Years starting from 1st June , 2023

GLOBAL CORPORATE TAX RATE

Country	Corporate Tax Rate (%)	Country	Corporate Tax Rate (%)	Country	Corporate Tax Rate (%)	Country	Corporate Tax Rate (%)	Country	Corporate Tax Rate (%)
Afghanistan	20	Congo	28	Ireland	12.5	Myanmar	25	Slovenia	19
Albania	15	Congo (Democratic Republic)	30	Israel	23	Namibia	32	Solomon Islands	30
Algeria	26	Costa Rica	30	Italy	24	Netherlands	25	South Africa	28
Andorra	10	Croatia	18	Ivory Coast	25	New Zealand	28	Spain	25
Angola	25	Curacao	22	Jamaica	25	Nicaragua	30	Sri Lanka	24
Antigua and Barbuda	25	Cyprus	12.5	Japan	30.62	Nigeria	30	St Maarten	35
Argentina	25	Czech Republic	19	Jordan	20	Norway	22	Sudan	35
Armenia	18	Denmark	22	Kazakhstan	20	Oman	15	Suriname	36
Aruba	25	Djibouti	25	Kenya	30	Pakistan	29	Swaziland	27.5
Australia	30	Dominica	25	Korea	25	Palestinian Territory	15	Sweden	20.6
Austria	25	Dominican Republic	27	Kuwait	15	Panama	25	Switzerland	14.93
Bangladesh	32.5	Ecuador	25	Kyrgyzstan	10	Papua New Guinea	30	Syria	28
Barbados	5.5	Egypt	22.5	Latvia	20	Paraguay	10	Taiwan	20
Belarus	18	El Salvador	30	Lebanon	17	Peru	29.5	Tanzania	30
Belgium	25	Estonia	20	Libya	20	Philippines	30	Thailand	20
Benin	30	Ethiopia	30	Liechtenstein	12.5	Poland	19	Trinidad and Tobago	30
Bolivia	25	Fiji	20	Luxembourg	24.94	Portugal	21	Tunisia	15
Bonaire, Saint Eustatius and Saba	25	France	26.5	Macau	12	Qatar	10	Turkey	20
Bosnia and Herzegovina	10	Gabon	30	Macedonia	10	Romania	16	Turkmenistan	20
Botswana	22	Gambia	27	Madagascar	20	Russia	20	Uganda	30
Brunei Darussalam	18.5	Georgia	15	Malawi	30	Rwanda	30	Ukraine	18
Bulgaria	10	Germany	30	Malaysia	24	Saint Kitts and Nevis	33	United Arab Emirates	9
Burkina Faso	28	Ghana	25	Malta	35	Saint Lucia	30	United Kingdom	19
Burundi	30	Gibraltar	10	Mauritania	25	Saint Vincent and the Grenadines	30	United States	27
Cambodia	20	Greece	24	Mauritius	15	Samoa	27	Uruguay	25
Cameroon	33	Grenada	28	Mexico	30	Saudi Arabia	20	Uzbekistan	7.5
Canada	26.5	Honduras	25	Moldova	12	Senegal	30	Venezuela	34
Chile	27	Hungary	9	Monaco	33	Serbia	15	Vietnam	20
China	25	Iceland	20	Mongolia	25	Sierra Leone	30	Yemen	20
		India	30	Montenegro	9	Singapore	17	Zambia	35
		Indonesia	22	Morocco	31	Sint Maarten (Dutch part)	35	Zimbabwe	24
		Iraq	35	Mozambique	32	Slovakia	21		

COUNTRIES WITH 0% TAX RATE



ISSUANCE & EFFECTIVE DATE OF THE CORPORATE TAX LAW

Financial Year End	30 June	31 December	31 March
First Tax Period	1 July 2023 - 30 June 2024	1 Jan 2024 - 31 Dec 2024	1 April 2024 - 31 March 2025
CT return must be filed, and CT payment made, within nine (9) months of the tax period			
Filing & payment due date	31 March 2025	30 Sept 2025	31 Dec 2025

DEFINITION OF CORPORATE TAX

Corporate Tax is a form of direct tax, levied on the net income of corporations (or business profits as referred in other jurisdictions).

It differs from VAT tax which is an indirect tax also referred as consumption tax.

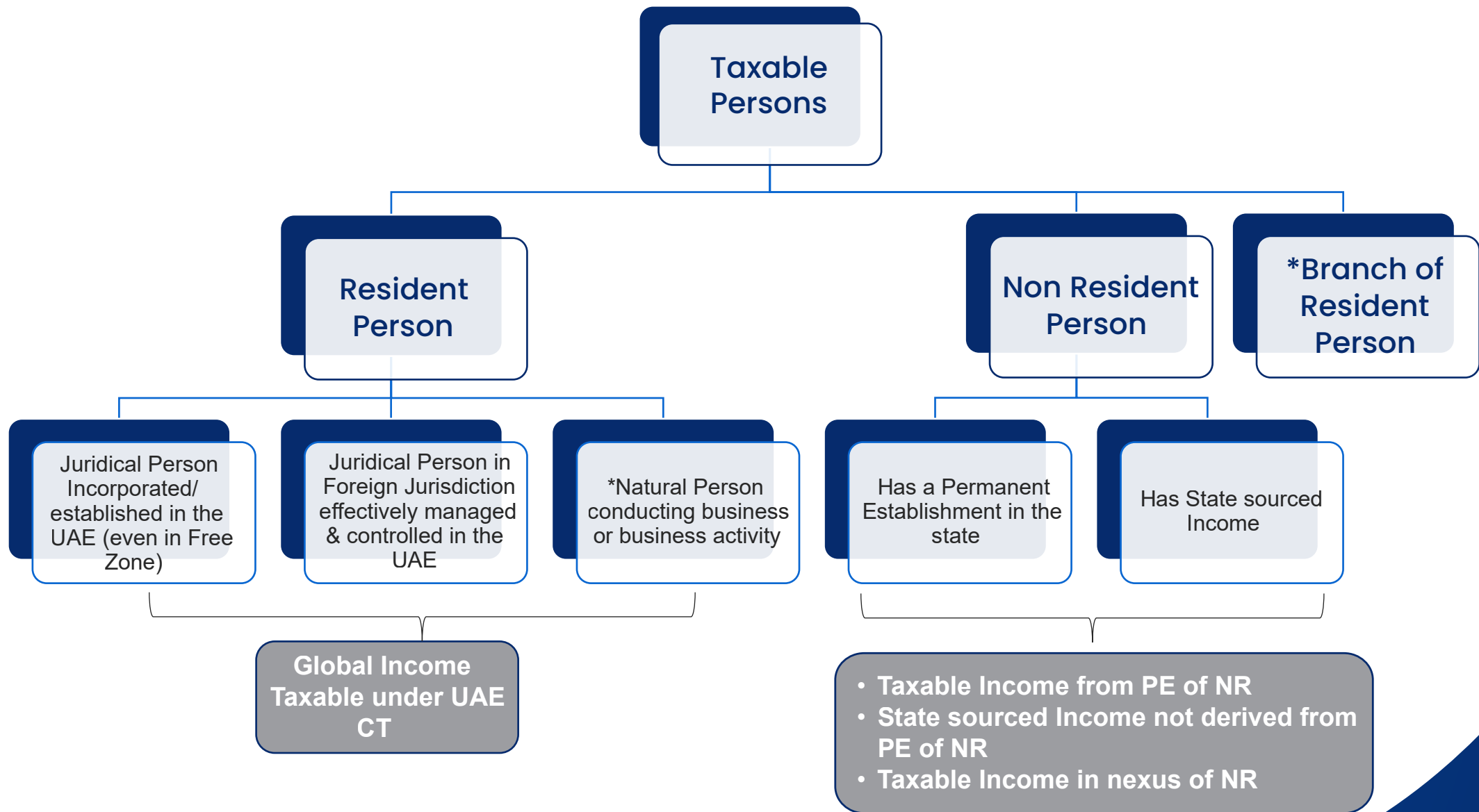
For CIT the taxpayer is the concerned and responsible person, while for VAT the taxpayer is as a mediator between customer and the state.

The corporate tax must be applied alongside with other kinds of taxes (VAT, Excise tax, Emirate level taxes ...), no tax replace the other type of taxes.

Note:

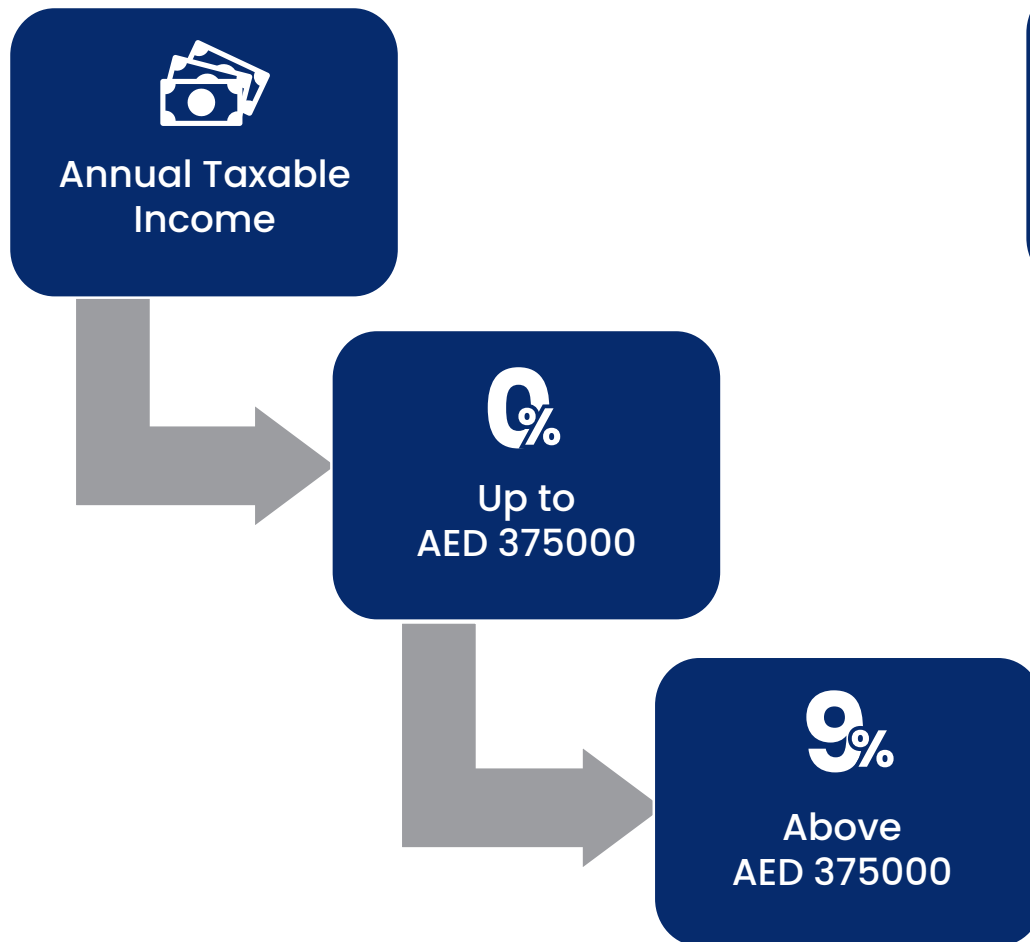
In case of a conflict between the Corporate Tax Law and an international agreement, the relevant international agreement may limit the application of UAE CT.

TAXABLE PERSONS



THE CORPORATE TAX RATE

Taxable Persons



Qualifying Free Zone Persons



EXEMPT PERSONS

- a. A Government Entity.
- b. A Government Controlled Entity.
- c. A Person engaged in an Extractive/Non extractive Business, that meets the conditions*
- d. A Qualifying Public Benefit Entity

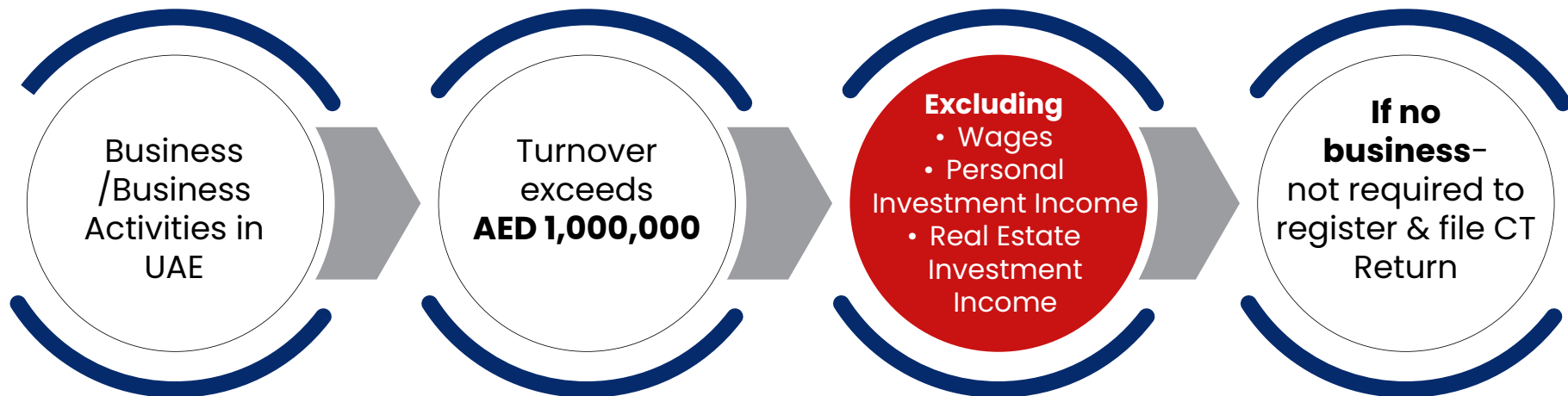
Auto Exempt
from the CT

- e. A Qualifying Investment Fund
- f. A public pension or social security fund, or a private pension or social security fund & meets the conditions
- g. A juridical person incorporated in the State wholly owned & controlled by any exempt person and conducts following
 - Undertakes whole/part activities of exempt persons
 - Engaged exclusively in holding assets/investing funds for benefit of exempt person
 - Carries out activities only that are ancillary to exempt person's activities
- a. Any other person as may be determined

Apply to the relevant
authority to be exempt
in form, manner &
timeline prescribed

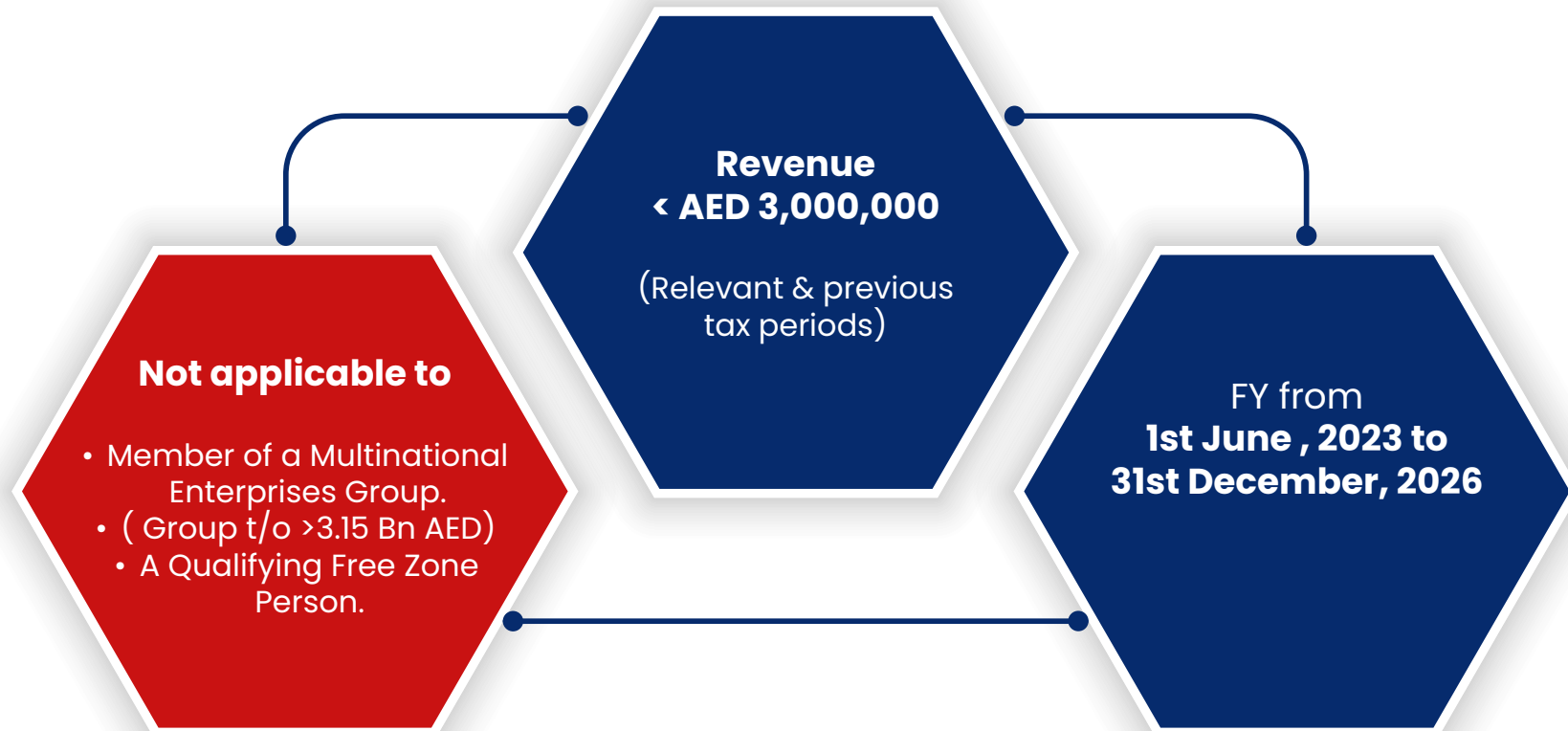
NATURAL PERSON TAXATION

(Cabinet Decision 49/2023)



SMALL BUSINESS RELIEF

(Ministerial Decision 73/2023)



TAXABLE INCOME

Taxable Income = Accounting net profit (or loss) as stated in FS as per IFRS

Financial Statements prepared on accrual basis, unless opt for cash basis
(small businesses and individual entrepreneurs may opt for cash basis as per the cabinet decision)



Adjustments to Taxable Income

1. Unrealised gains/losses (subject to the election made regarding the application of the realisation principle);
2. Exempt income such as dividends, Capital Gains,
3. Intra-group transfers;
4. Deductions which are not allowable for tax purposes;
5. Adjustments for transactions with Related Parties and Connected Persons;
6. Any incentives or special reliefs reliefs; and
7. Tax Losses (subject to 75% of taxable income)
8. Any other adjustment specified by the Minister.

Treatment for unrealized gains/ losses arising from accounting fair value or impairment adjustments:

Any and all unrealized gains – not be taxable and unrealized losses – not be deductible until they are realized on all assets & liabilities.

Option 1

option 1

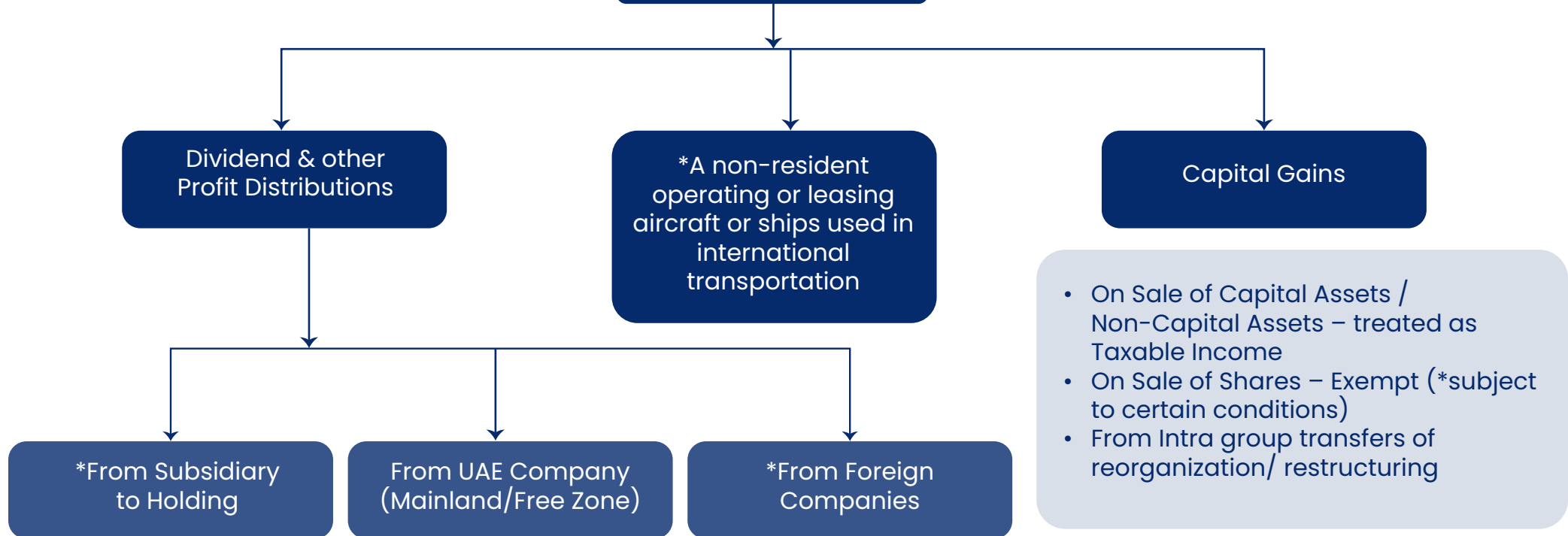
All unrealized gains – not be taxable and losses – not be deductible in respect of assets & liabilities held on capital account until they are realized (unrealized gains/losses on assets/liabilities held on revenue account continue to include in taxable income.

Option 2

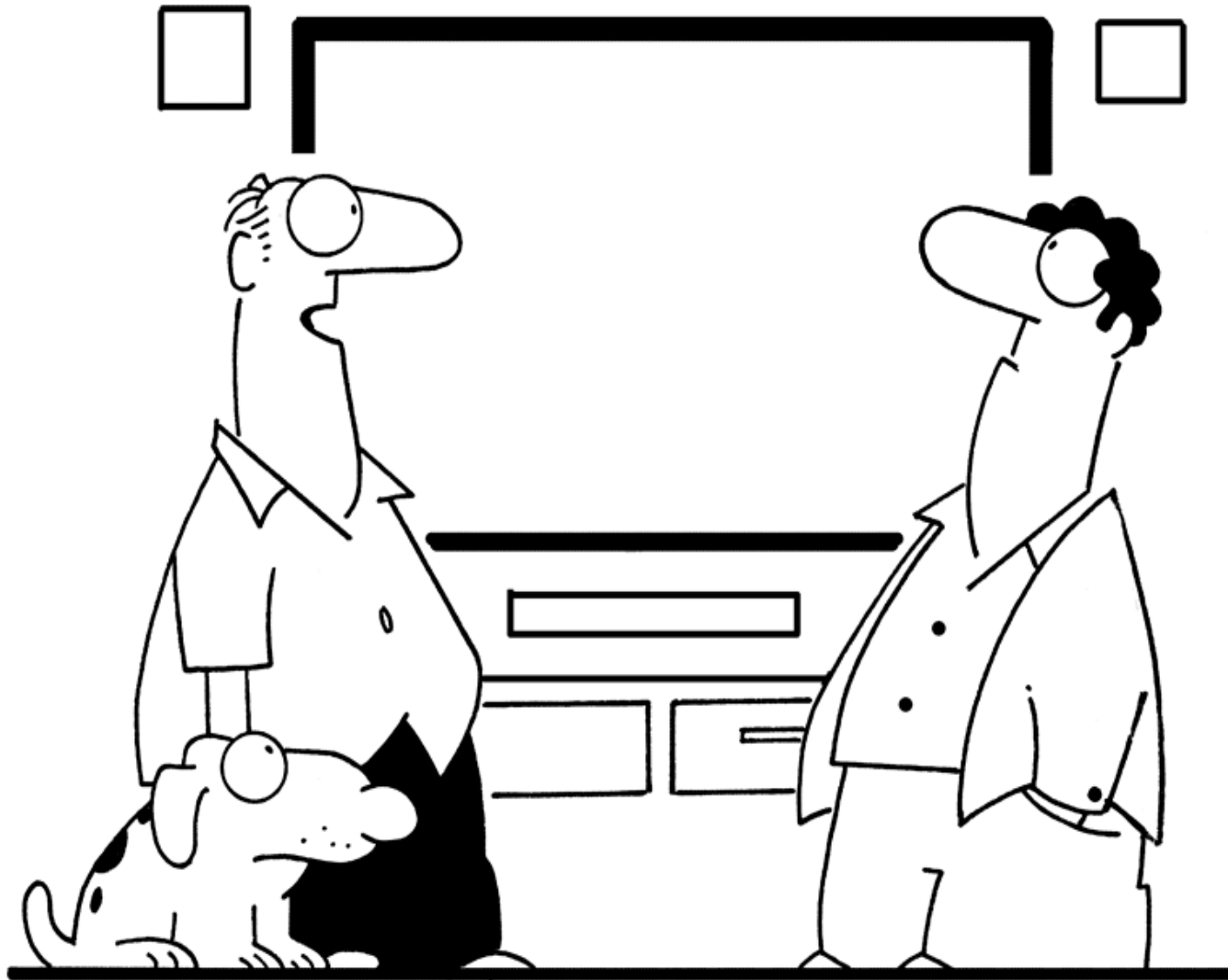
option 2

EXEMPT INCOME

Exempt Income

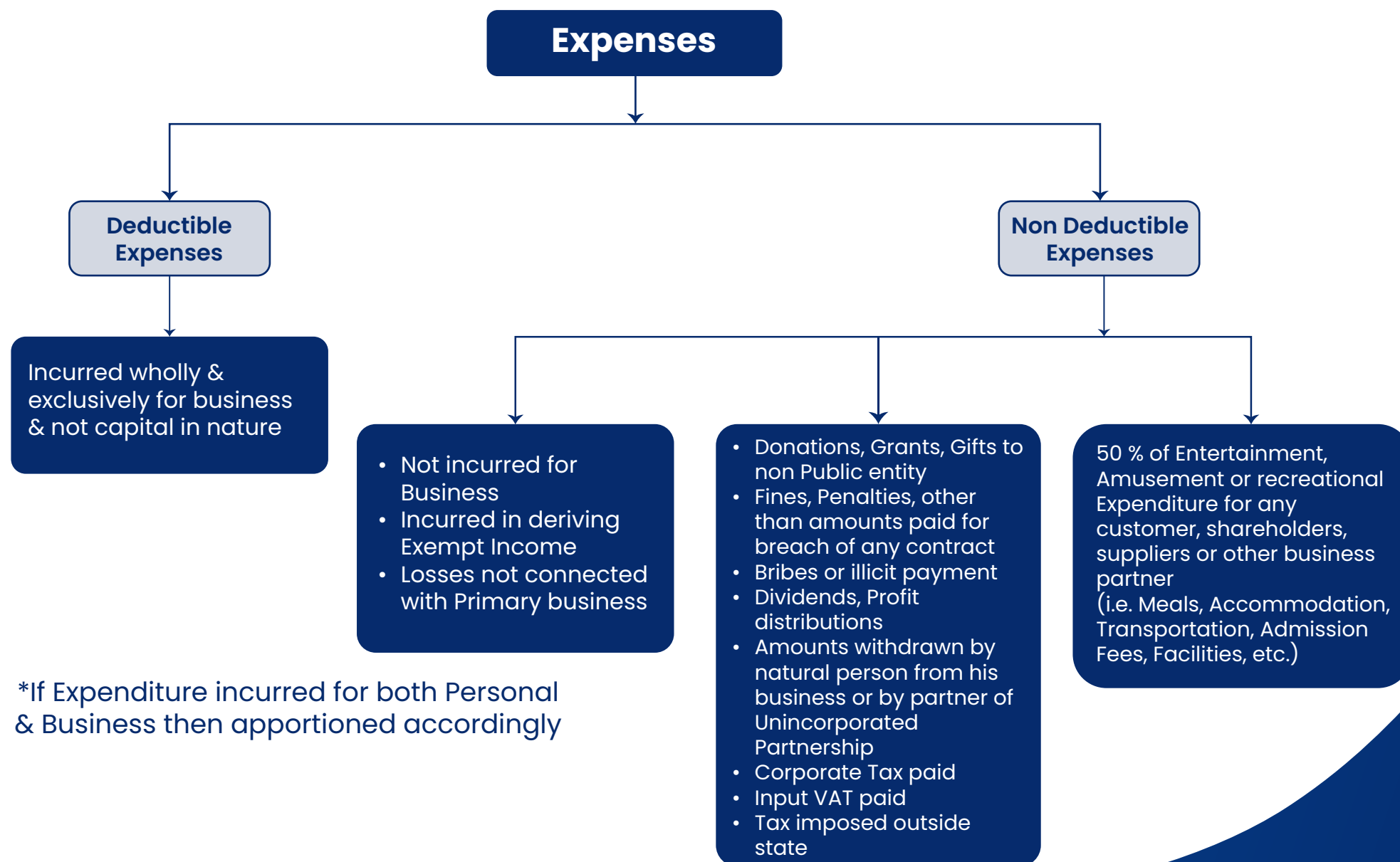


*Subject to participating interest of $\geq 5\%$ ownership in capital/ equity of foreign person for at least 12 months



“I can claim a 70-inch plasma TV as a business expense because my accountant said it’s important to look at the big picture.”

DEDUCTIBLE & NON DEDUCTIBLE EXPENSES



DEDUCTIBLE & NON DEDUCTIBLE EXPENSES

Interest Expenditure

General Deduction

- Upto 30 % EBITDA
- Remainder Carried Forward upto 10 tax periods
- Business with below threshold to be set by minister not subject to general deduction

* NA to Banks, Insurance Business, other Regulated Financial Entities and Natural Person conducting Business/Business Activity

Specific Deduction

No deduction on Interest on loan obtained directly, or indirectly for –

- a. Dividend/Profit Distribution
- b. Redemption, Repurchase, Reduction, or return of Share capital to a Related Party
- c. Capital contribution to Related Party
- d. Acquisition of Related Party (or future Related Party)

RP subject to CT (in UAE/ Foreign), then no CT advantage

ILLUSTRATION FOR CALCULATION OF TAXABLE INCOME :

ABC Corporation is conglomerate in Dubai. The company has branch at KSA and owns participating interest in UAE and foreign companies.i

	Particulars	Amount (AED)	Amount (AED)	Additional notes
	Sales in UAE		12,750,000	
Less:	Direct Cost		-10,320,000	
	Gross profit		2,430,000	
Less :	<u>Operating Expenses</u>			
	Salaries	300,000		
	Rent	50,000		
	Travel expenses	5,000		The travel expenses are paid for the top executivesr as personal expenses
	Entertainment	23,000		The entertainment expenses are spent to organize events for ABC's clients
	Fines	8,000		
	Depreciation	150,000	536,000	
Less :	Interest (Finance Expenses)	85,000		
	Dividends paid	200,000	285,000	The company paid dividends of amount 200000\$ to its shareholders
	Net Income		1,609,000	ABC owns 7% of participating interest in XYZ based in the UK as of 2/5/2022
Add :	Gain from selling participating interest in XYZ	30,000		ABC owns 7% of participating interest in XYZ based in the UK as of 2/5/2022
	Gain from selling current asset	10,000		
	Dividends from participating interest in DEF	15,000		ABC owns 3% of participating interest in DEF based Saudi
	Dividends from participating interest in GHI	5,000		ABC owns 4% of participating interest in GHI based in Geneva.
	Revenue from Saudi branch	1,000,000	1,060,000	ABC has branch in KSA called ABC SAUDI.
	Total Income		2,669,000	
	Expenditures related to Saudi branch		-800,000	
	Accounting net profit (or Accounting income)		1,869,000	Total loss to be carried forward \$200000

ILLUSTRATION FOR CALCULATION OF TAXABLE INCOME :

	Accounting income (net profit)		1,869,000	
Add	Adjustments on profit			
	50% of entertainment expenditures incurred for the purpose business are disallowed	11,500		
	Travel expenses are disallowed	5,000		Personal expenses are not tax deductible
	Fines are disallowed	8,000		
	Dividends paid to shareholders	200,000		Dividends are subject to corporate tax
	Expenditures related to Saudi branch	800,000		ABC Saudi is exempted from corporate tax at UAE
	Total expenditures to add to taxable income		1,024,500	
Less :	Adjustments on profit			
	Gain from selling participating interest in XYZ	30,000		Dividends received from participating interest in foreign company (greater than 5% and more than one year) is exempted from tax
	Dividends from participating interest in DEF	15,000		Dividends received from participating interest in resident company are exempted from tax
	Revenue from Saudi branch	1,000,000		ABC Saudi is exempted from corporate tax at UAE.
	Total income to reduce from corporate tax		1,045,000	
	Taxable income after adjustment		1,848,500	
Less :	Reduce Tax loss carry forward		125,000	As less than 75% of taxable income, total carried forward.
	Taxable income		1,723,500	
	Taxable income subject to CT at 0%/ Tax threshold		375,000	0% (As AED 375000 - Basic Exemption Limit)
	Taxable income exceeding tax threshold subject to CT at 9%		1,348,500	9% (Over & above AED 375000)
	Corporate Tax Liability		121,365	

Note: Interest paid are tax deductible because it didn't exceed the 30% of EBITDA (Accounting Earnings before the deduction of interest, tax, depreciation and amortization).

TAX GROUPS

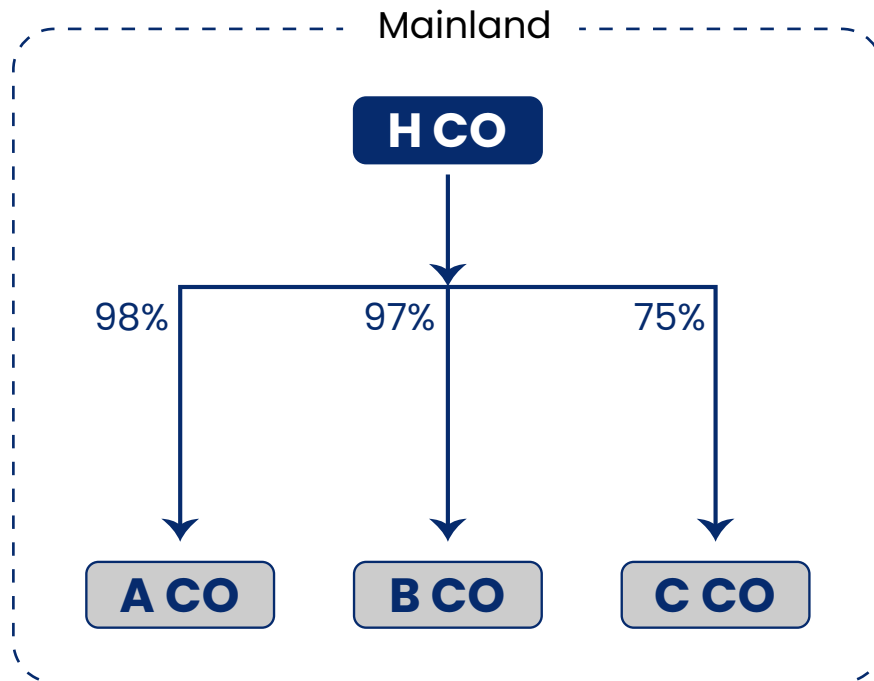
Conditions for forming Tax Group

- Only resident persons can form part of CT Group. ***Permanent Establishments (PE) or branches of foreign companies in the UAE cannot join a CT Group;***
- Only juridical resident persons can join a CT Group. ***Natural persons and unincorporated JVs are ineligible.***
- CT grouping for parent–subsidiary relationships, if :
 1. Parent owns at least 95% shareholding/ voting right of the subsidiary;
 2. Parent is entitled to at least 95% of the subsidiary's profits and net assets.
- Neither the parent nor the subsidiary is a Qualifying Free Zone Person;
- Both have the same financial year and use accounting standards for FS.



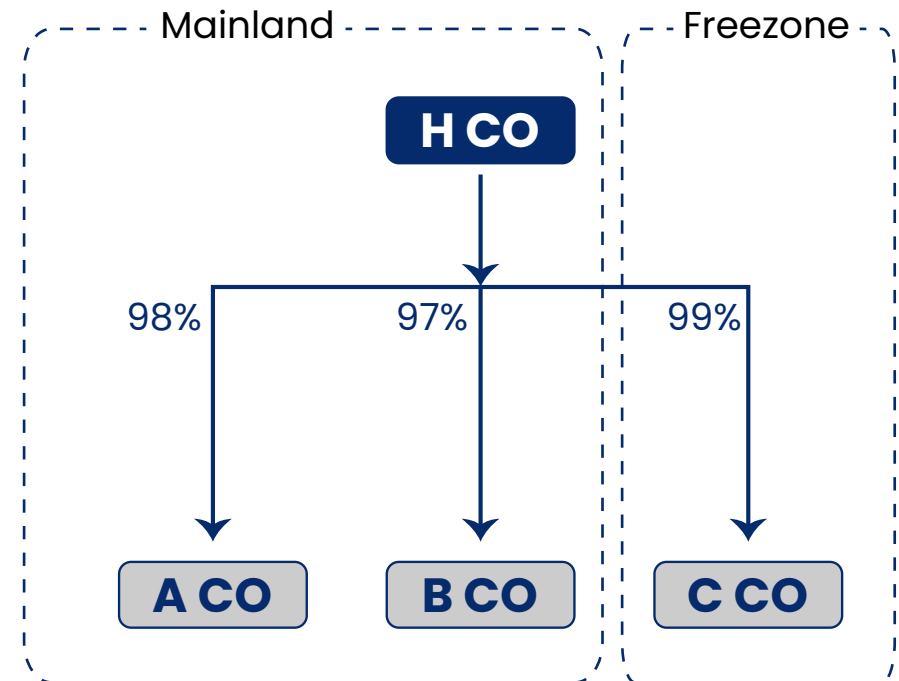
TAX GROUPS

Scenario 1



- H Co, A Co and B Co can elect to form a Tax Group
- C Co cannot be a part of Tax Group as the shareholding is 75% (<95%)

Scenario 2



- H Co, A Co and B Co can elect to form a Tax Group
- C Co cannot be a part of Tax Group as it is a Qualifying free zone person availing 0% CT rate benefit

TAX GROUPS

PROS

- Single registration/filing/audit
- Aligned with Consolidated financial statements
- Related party transactions at a domestic level could have lower degree of scrutiny

CONS

- Basic Exemption threshold of AED 375,000 applied to the group as a whole rather than to each entity
- Limited to parent subsidiary relationships, resident & taxable persons
- Triggers joint & several liability
- Potential complications on engaging in M & A activity

TAX GROUPS

Illustration 1

Amount ('000) AED

PARTICULARS	COMPANY A	COMPANY B	TAX GROUP
A. Revenue (non-intra group)	1,000	4,000	5,000
B. Revenue (intra group)	1,500	0	0
C. Cost (non-intra group)	500	1,500	2,000
D. Cost (intra-group)	0	1,500	0
E. Net taxable Income	2,000	1,000	3,000
F. Tax rate	9%		
G. Exemption Threshold	375	375	375
H. Tax Liability	146.25	56.25	236.25
I. Comparative Liability	202.50		236.25

Individual Company's tax liability can be lower than the Tax Group as they have the benefit of availing separate exemption threshold whereas in case of a Tax Group, the benefit of threshold exemption is available once as a whole.

TAX GROUPS

Illustration 2

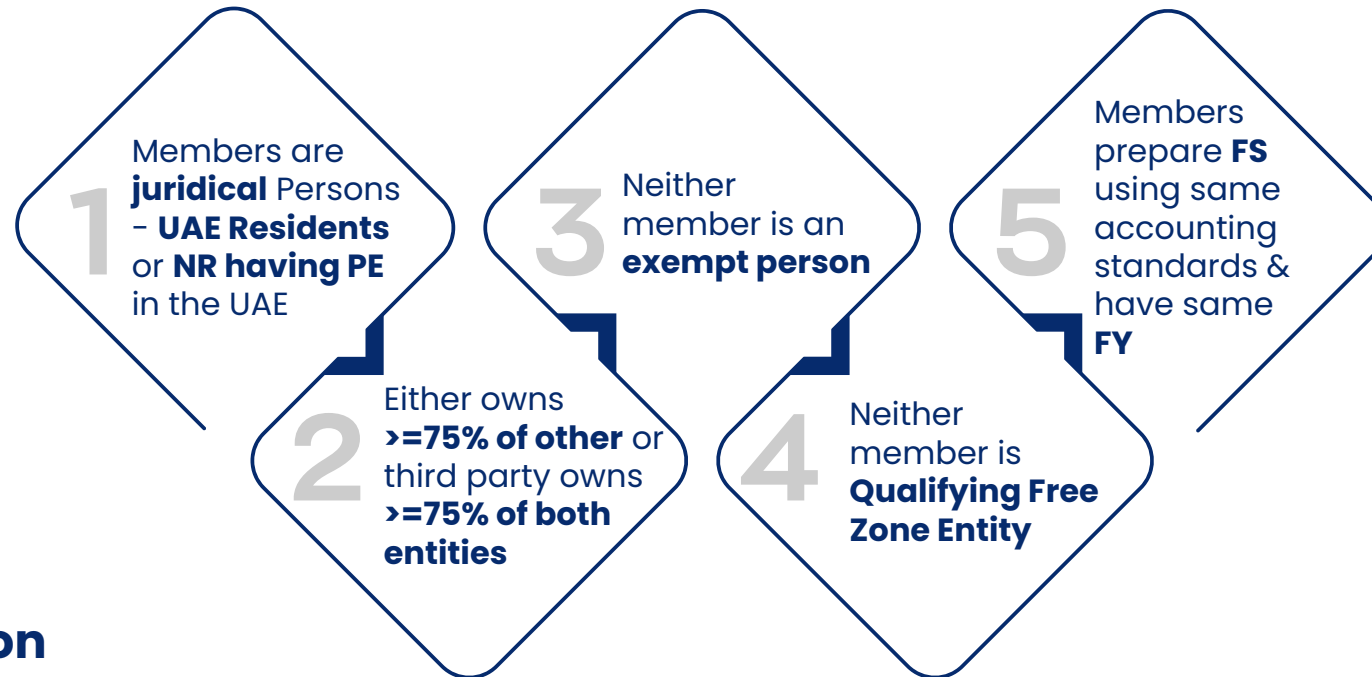
Amount ('000) AED

PARTICULARS	COMPANY A	COMPANY B	TAX GROUP
A. Revenue (non-intra group)	1,000	4,000	5,000
B. Revenue (intra group)	1,500	0	0
C. Cost (non-intra group)	3,000	1,500	4,500
D. Cost (intra-group)	0	1,500	0
E. Net taxable Income	-500	1,000	500
F. Tax rate	9%		
G. Exemption Threshold	375	375	375
H. Tax Liability	0	56.25	11.25
I. Comparative Liability	56.25		11.25

Tax Grouping can be beneficial in case where individual Companies are loss making.

QUALIFYING GROUP

No Gain/Loss on transfer of Assets/Liabilities calculated for taxable income **if following conditions met :**



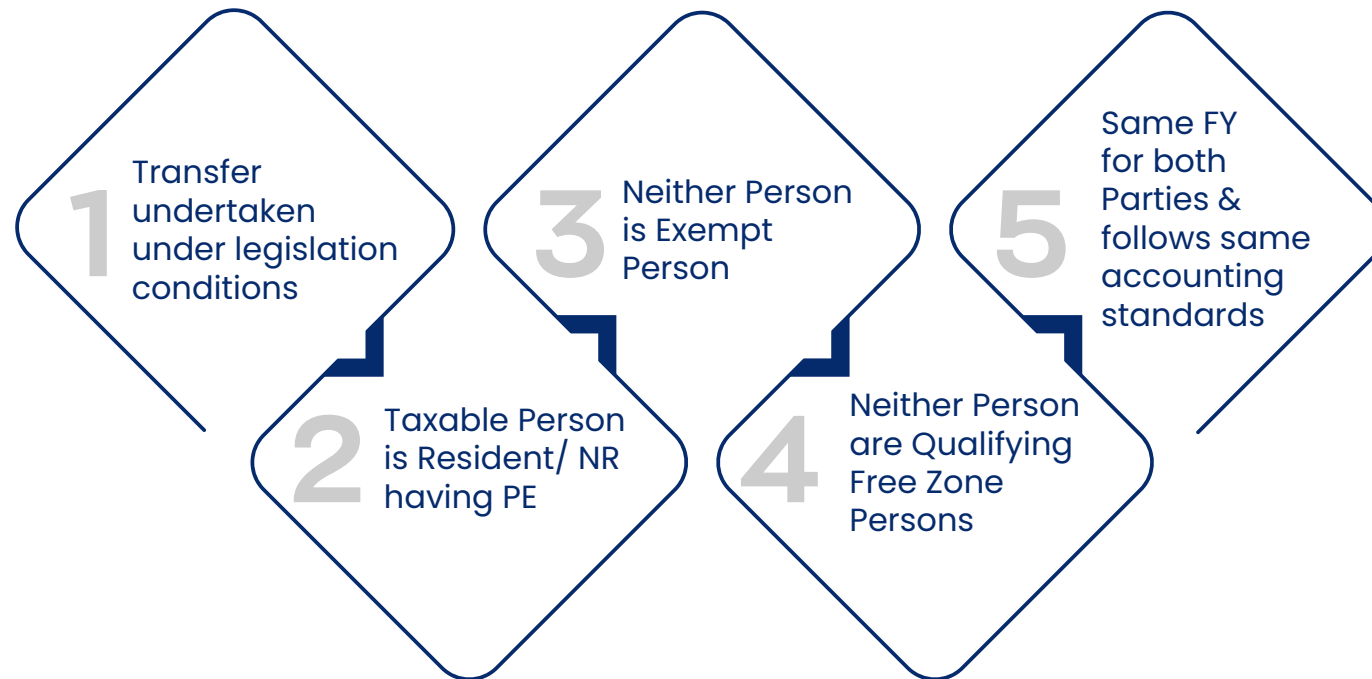
Impact on Taxable Income :

- Assets & Liabilities transferred at net book value
- Value of any consideration received /paid treated as equal to net book value of the transferred asset/liability
- Any unutilized losses of the transferor, carried forward by transferee subject to conditions*
- Relief withdrawn & taxable in hands of both taxable persons – if within 2 years of transfer :
- Subsequent transfer outside qualifying group
- Members cease to be part of Qualifying Group

Transfer considered at Market Value at date of Transfer & taxable under CT

BUSINESS RESTRUCTURING RELIEF

Taxable Person(s) transfers entire/independent part of business to another taxable person – No Gain/Loss taken into account while calculating the taxable income, subject to following conditions :



Impact

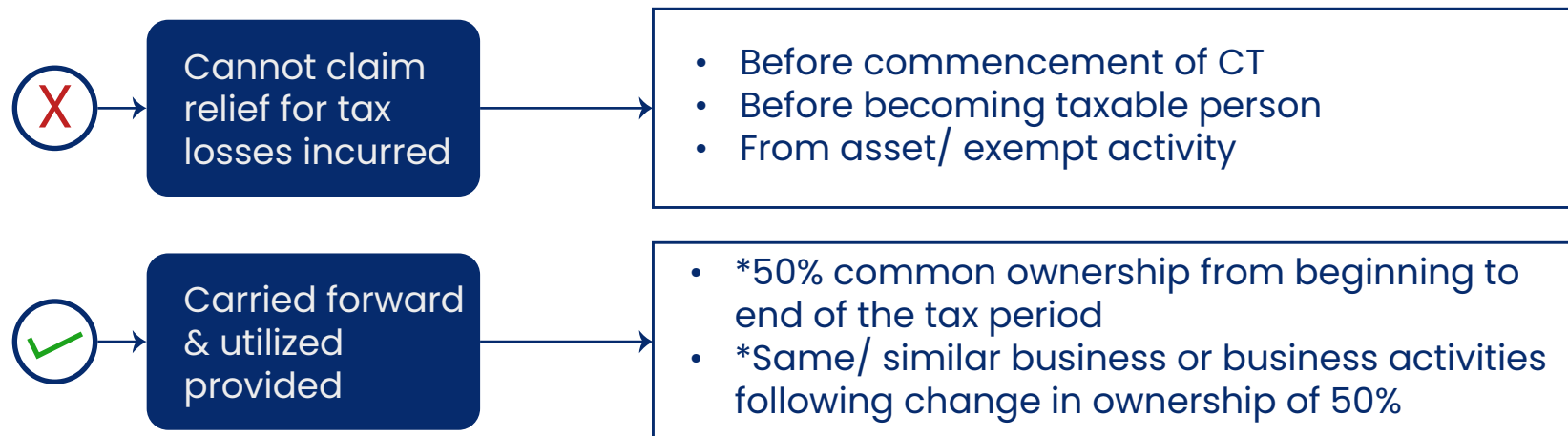
- Assets & Liabilities transferred at net book value
- Value of any consideration received /paid treated as equal to net book value of the transferred asset/liability
- Any unutilized losses of the transferor, carried forward by transferee subject to conditions
- Relief withdrawn – if within 2 years of restructuring :
 - Subsequent disposal
 - Shares/ownership interest sold/transferred or disposed

Transfer considered at Market Value at date of Transfer & taxable under CT

TAX LOSSES

Tax Loss Relief

- Offset against subsequent tax periods
- Maximum allowed – ***75% of taxable income**



*NA to taxable person listed on Recognized Stock Exchange

GENERAL ANTI ABUSE RULES (GAAR)

Instances of Corporate Tax Advantage (includes but not limited to)

- Obtaining a tax refund or increase refund
- Avoidance or reduction of tax
- Deferral of tax payment or advancement of refund of tax
- Avoidance of an obligation to account for Corporate tax

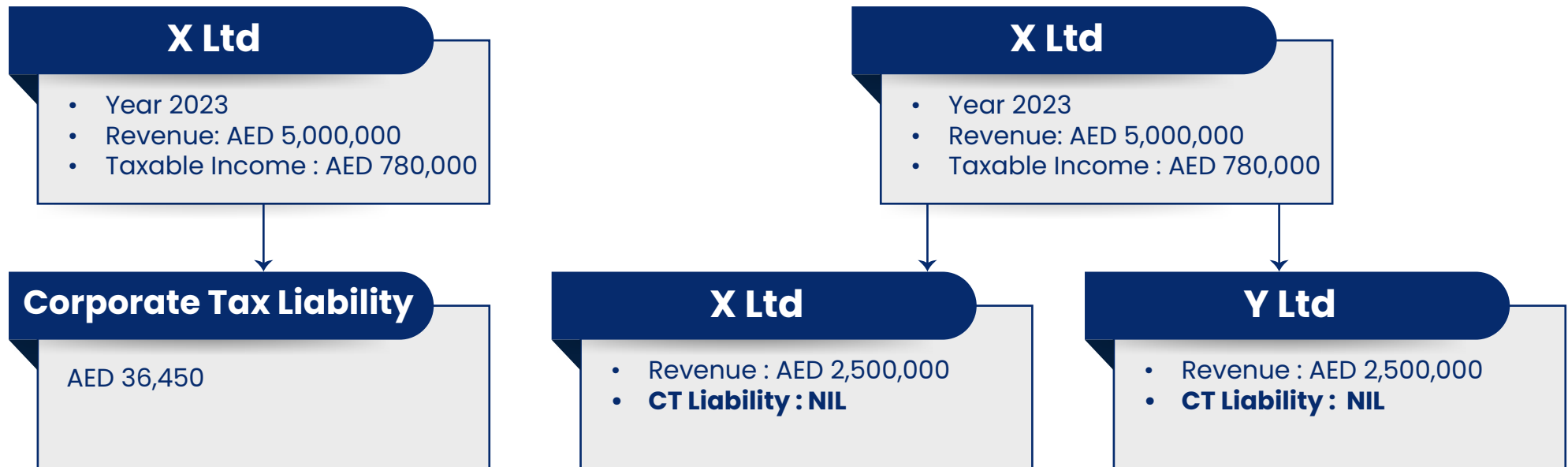


Illustration (as per The Ministry of Finance ('MoF') has issued Ministerial Decision No. 73 of 2023 on Small Business Relief)

No Anti Abuse Rules

Anti Abuse Rules applicable

ADMINISTRATION & AUDIT

Ministerial Decision No.82 of 2023

- Taxable Persons with Revenue exceeding AED 50,000,000
- Qualifying Free Zone Person*



Tax Registration

- All Taxable Persons register in form, manner & timeline prescribed & obtain Tax Registration number
- ***No Registration Threshold except Natural Person with Revenue upto AED 1 million**

Tax De-Registration

- Apply to authority on cessation of business
- Not deregistered unless all CT liability paid & returns filed

Financial Records

- To be maintained for 7 years
- Unincorporated Partnerships : may be required to show total assets, liabilities, income & Expenditure and partners distributive share

Violations & Penalties

- Self Assessment
- Non Filing / submission of CT Return/ Liability

(no penalties/ fees yet declared by the Cabinet)

TAX RESIDENCY

Legal Entity (Juridical Person)

- Incorporated, formed or recognized within the UAE (not branch of foreign entities)
- Considered as a tax resident in accordance with the tax laws of the UAE

Natural Person

- **Primary place of residence & center of financial and personal interests in the UAE** (irrespective of the number of days spent in the UAE)
- **Physically present in the UAE for a minimum of 183 days within a 12-month consecutive period.**
- **UAE & GCC Nationals & holding a UAE RESIDENCE VISA** – Have a permanent place of residence and/or employment and/ or business in the UAE and have been **physically present for a minimum of 90 days** during the relevant 12-month consecutive period.

- Any person considered as tax resident can apply for a **Tax Residency Certificate (TRC)**
- Submit an application form along with the required documents to the FTA
- Cabinet decision no. 85 of 2022 to be effective from 1st March 2023

TAX RESIDENCY CERTIFICATE

Time period calculation

- All days or part of days spent physically in the UAE will be counted.
- Days spent in the UAE don't need to be consecutive.
- Days spent in the UAE due to *Exceptional situations could

Permanent place of residence:

- Apartment, a room or any other form of dwelling house
- continuously available
- owned or rented

Business occupation:

- Employment/Carrying out a business in the UAE



FREEZONES IN UAE



TAXABILITY ON FREE ZONES

Free Zones under UAE

Designated
geographic
area

Attract
foreign
investment

Designed to
facilitate
international
trade &
commerce

Qualifying Free Zone Person (QFZP)

1

Maintain Adequate substance
in the UAE

Derive Qualifying Income*

2

3

Not made election to be subject to
Corporate Tax at standard rates

Comply with transfer pricing
requirements

4

- Benefit from 0% Corporate Tax on Qualifying Income & 9% on non qualifying income
- Tax Incentive Period for the QFZP extended upto 50 years
- Cannot be member of Qualifying group /Tax Group
- Cannot claim Small Business Relief unless applied for standard corporate tax rate (73/2023)
- Must register for Corporate tax & file CT Return
- QFZP prepare & maintain audited financial statements (82/2023)

TRANSFER PRICING

Key Points

- Transactions between Related Parties at Arms Length Price (ALP)
- Applicable to UAE businesses having transactions with Related parties or connected persons, located in the UAE-Mainland/Free Zone or Foreign jurisdiction
- ALP derived by using Transfer Pricing methods as per OCED Regulations (5 methods defined)
- Maintain Master File and Local File
- Applicable on intra group loan arrangements as well
- Transactions in Tax Group need not comply with TP Rules unless a member of Tax Group needs to compute its stand alone taxable Income
- Submit documents if requested within 30 days of request



Related Parties



For an Individual

- Two or more individuals related (fourth degree of kinship/affiliation/adoption/guardianship)
- Controlling ownership interest (more than 50% shares of company) in the company- alone or together with related parties



For Juridical Person

- Company alone or with others- controlling ownership interest (more than 50% share of company)
- Two or more partners in same unincorporated partnerships
- Person who is trustee, founder, settlor, beneficiary of trust, foundation, and its related parties



Connected Persons

- Owner of the taxable person
- Director or officer of the business
- Related Party of any of the above

* NA to taxable persons whose shares are listed on Recognized stock exchange

TRANSFER PRICING

Ministerial decision no. 97/2023

Transfer Pricing Documentation (Master File/Local File)

- Entity of Multinational Group whose Consolidated group revenue **> 3.15 billion**
- Taxable Person Revenue **> AED 200 million**

Submit within
30 days upon
request

Included in the Local File	Excluded from the local file
Non - Resident Person	Nonresident person who has Permanent Establishment in the State whose income is subject to the same Corporate Tax rate
Exempt Person	Other resident persons, Natural persons and juridical persons in an unincorporated partnership that are acting as if they are independent
A Resident Person that has made an election (to claim for a small business relief)	
A Resident Person subject to a different Corporate Tax rate	

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Thank you for your understanding.

CONTACT OUR EXPERTS NOW



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Thank you!



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