

PRELIMINARY HIGHLIGHTS ON UAE CORPORATE TAX

The UAE's Ministry of Finance ("MoF") on, 31 January 2022, announced the much anticipated introduction of a federal Corporate Tax ("CT") on business profits under a prospective CT regime in the UAE

Key Points to Note

Effective From	<ul style="list-style-type: none">Financial year starting on or After 01-Jun-2023
Effective On	<ul style="list-style-type: none">All Corporates, Individuals etc. having a commercial license and undertake a business activity
Not Effective On	<ul style="list-style-type: none">Individuals with any income other than business incomeCommercial activities for the extraction of natural resources (Emirate level corporate taxation)Dividends and capital gains earned by a UAE business from its qualifying shareholdings (conditions to be specified)
Effective Tax Rate	<ul style="list-style-type: none">9% on Accounting Net Profits after specified adjustments above AED 3,75,000Separate rate for Large MNCs * that meet criteria specified in 'Pillar 2' of OECD BEPS
Withhold Taxes and Tax Credits	<ul style="list-style-type: none">No Withholding Taxes on Domestic or Cross Border paymentsTax Credits for Corporate Taxes paid in Foreign jurisdiction on UAEs Taxable income

*Large MNCs – Multinational corporation operating in its home country & other countries through a foreign subsidiary, branch or other form of presence / registration and has Consolidated Global Revenue in excess of AED 3.15 Billion (EUR 750 Mn)

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Tax Group	<ul style="list-style-type: none">• Like UAE VAT, entities in a tax group be treated as a single taxable person, subject to conditions.
Carry Forward of Losses (from effective date)	<ul style="list-style-type: none">• Allowed to be adjusted against subsequent years taxable income with certain conditions• Tax Losses of one group company may be used to offset Taxable income of other Group Company, subject to conditions
Transfer Pricing	<ul style="list-style-type: none">• Applicable with reference to the OECD Transfer Pricing Guidelines, UAE businesses will need to comply with rules and documentation requirements

Few Points Be Watched and Suitably Acted:

- ✓ Possible Tax Groups
- ✓ Overseas Income & Tax Credits
- ✓ FreeZone Entity with Mainland Business
- ✓ Transactions with Group / Related Entities
- ✓ Large MNCs
- ✓ Accounting Records aligned with International Accounting Standards



Be prepared to adopt new tax and transfer pricing compliances (where applicable)

The MOF Link FAQs on <https://www.mof.gov.ae/en/resourcesAndBudget/Pages/faq.aspx>