

# Brief on Public Consultation - UAE Corporate Tax (UAE CT) issued by MoF



# Index

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Background /  
Introduction



Taxable  
persons



Basis of  
taxation



Calculation of  
taxable income



Groups



Transfer pricing

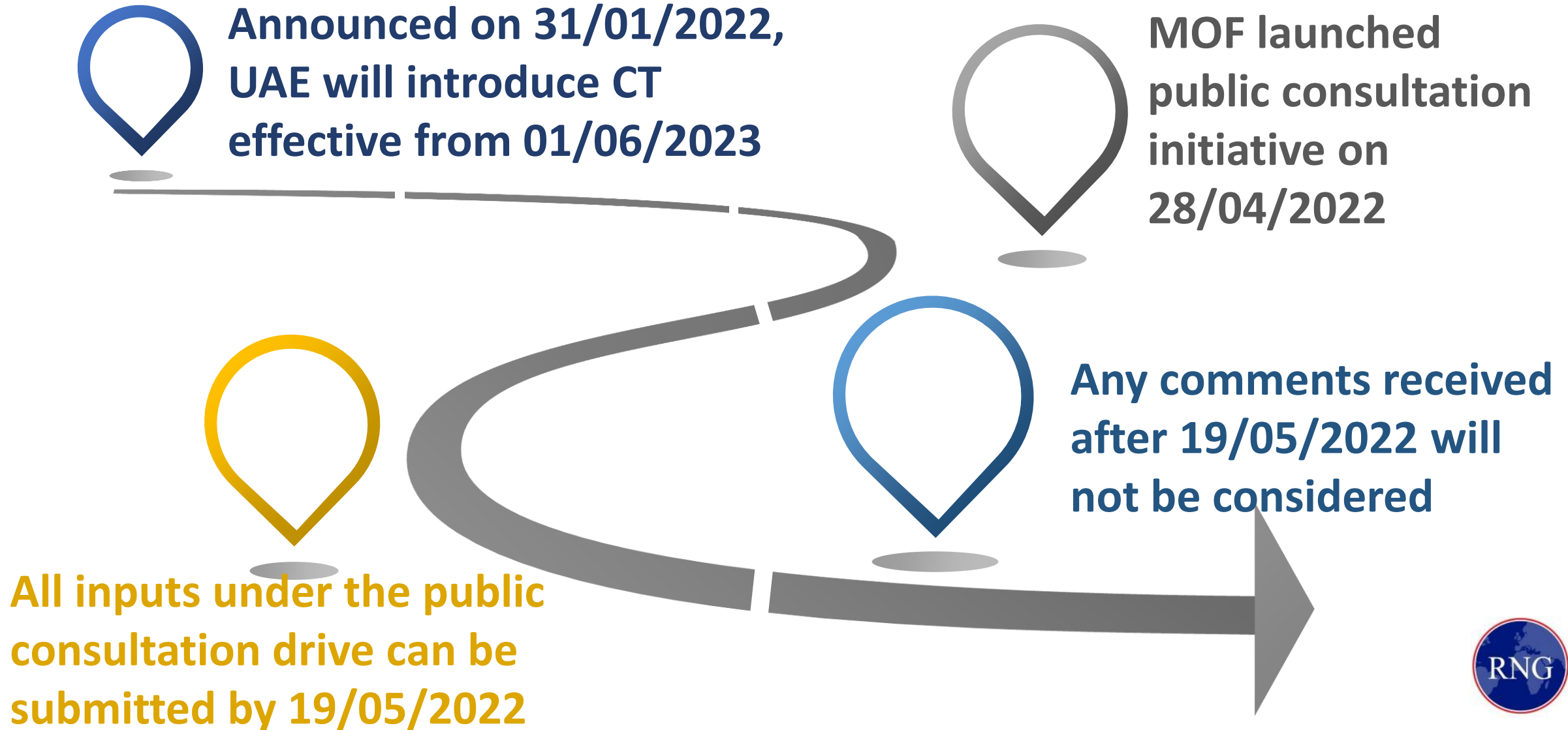


Calculation of  
CT liability

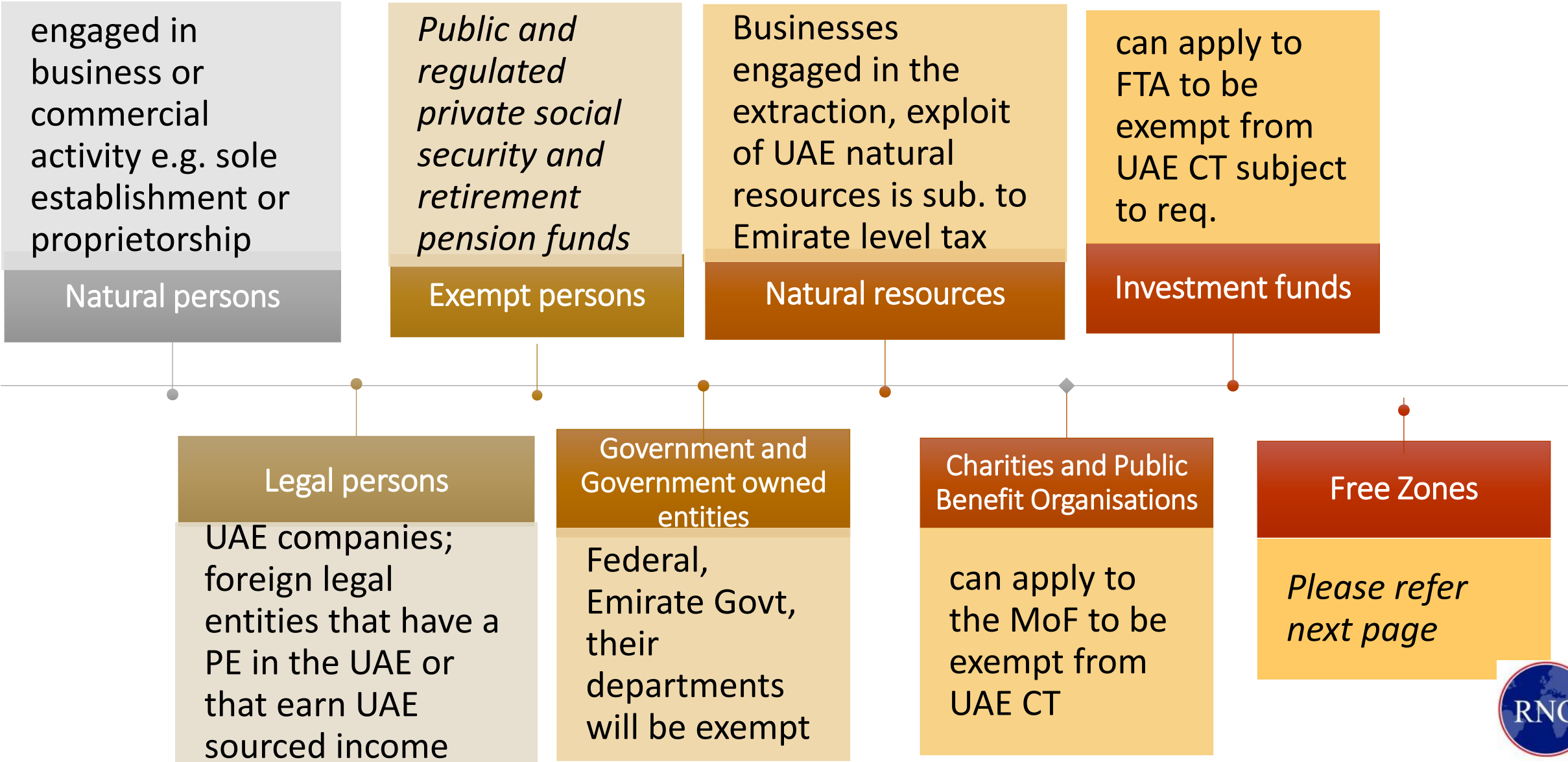


Administration

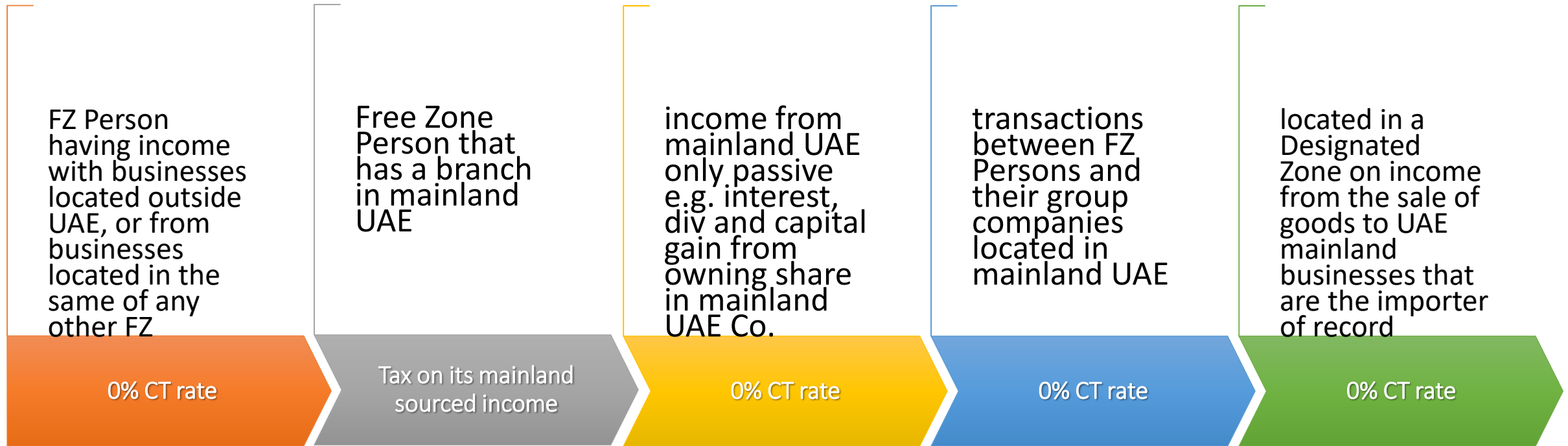
## Background / Introduction



# Taxable persons



# Taxable persons (Contd) for Free Zone



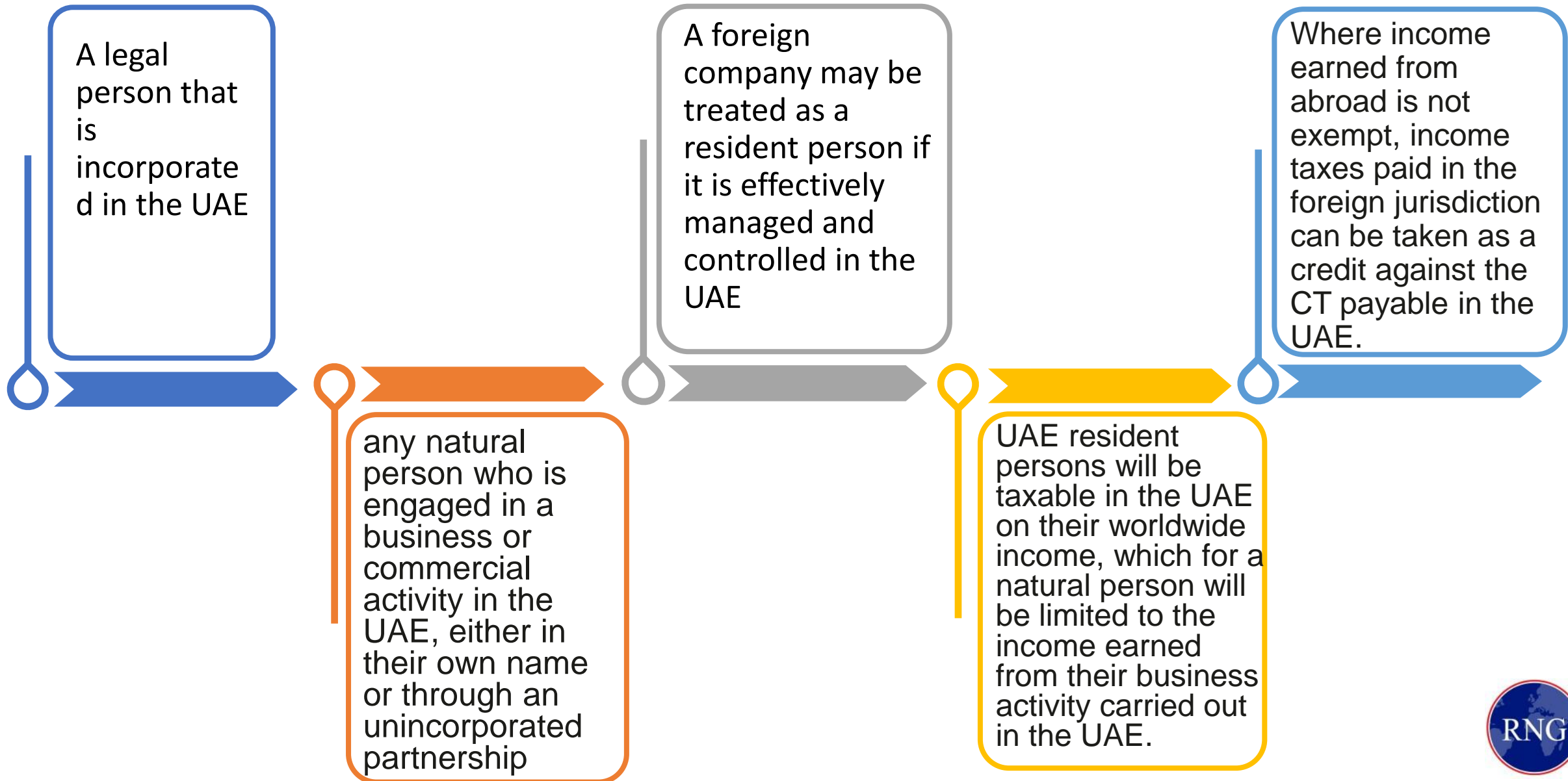
Companies and branches registered in a FZ will be within the scope of the UAE CT and subject to tax return filing requirements

To prevent FZ businesses from gaining an unfair competitive advantage compared to businesses established in mainland UAE, any other mainland sourced income will disqualify a FZ Person from the 0% CT regime in respect of all their income.

Where a FZ Person benefits from the 0% CT regime in respect of mainland sourced income, such income will be within the scope of withholding tax (at 0%).



# Basis of taxation - Residents



# Basis of taxation – Non-Residents

Non-residents will be subject to UAE CT on:

Taxable income from their Permanent Establishment (PE) in the UAE

will be determined by the following two main tests:

- Fixed place of business test

Include place of management, branch, office, factory, workshop, real property, a building site where activities are carried on for over 6 months

- Dependent agent test

where business travellers or UAE based persons act on behalf of the foreign company in the UAE and have the authority to conclude contracts in the name of foreign company

Income which is sourced in the UAE

UAE sourced income earned by a foreign person that does not have a PE in the UAE will be subject to withholding tax at a rate of 0% .

Income will generally be considered UAE sourced if the income is earned from a UAE resident person, if the payment is attributed to a PE in the UAE of a foreign company, or if the income is derived from activities or contracts performed in the UAE, assets located in the UAE, or rights used for economic purposes in the UAE



# Calculation of taxable income

## Basis

UAE CT regime proposes to use the accounting net profit (or loss) as stated in the financial statements of a business as the starting point for determining their taxable income

## Unrealized gain/loss

UAE CT will have specific rules to determine if unrealized gain or loss to be taken into account while calculating taxable income

## Exempt income

income earned by UAE companies from investments in other companies and from operations conducted outside the UAE through foreign subsidiaries or branches

## Expense deduction limitations

UAE CT will disallow or restrict the deduction of specific exp

Deduct upto 50% of exp to entertain customers, shareholders, suppliers

## Losses

can offset a loss incurred in one period against the taxable income of future, upto 75% of the taxable income future period.

Tax losses can be carried forward if the same shareholders hold atleast 50% of capital





# Groups

## Tax groups

UAE resident group of companies can elect to form a tax group and be treated as a single taxable person if the parent company holds at least 95% of the share capital and voting rights of its subsidiaries

## Transfer of losses

- UAE CT regime can allow a transfer of tax losses from one group company to another group company with profits, provided certain conditions are met

## Group relief

UAE CT regime will allow for an exemption or deferral of CT in respect of the transfer of assets or liabilities between members of a group

## Intra-group transfer

- Relief will be available for transfers of assets and liabilities between UAE resident companies that are at least 75% commonly owned, provided the assets and/or liabilities remain within the same group for a min of three years

## Restructuring relief

- To facilitate corporate restructuring, the UAE CT regime will exempt or allow for a deferral of tax where a whole business, or independent parts of a business, are transferred in exchange for shares or ownership interests.

# Calculation of CT liability

## CT rates

CT will be charged on the annual taxable income of a business as follows -  
0%, for taxable income not exceeding AED 375,000.

**AND**

9%, for taxable income exceeding AED 375,000

## Withholding tax

0% (zero percent) withholding tax will apply on domestic and cross-border payments made by UAE businesses

UAE businesses will not be required will there be an obligation to file withholding tax returns.

## Tax Credits

The maximum Foreign Tax Credit available will be the lower of:

- The amount of tax that paid in the foreign jurisdiction;
- or
- The UAE CT payable on the foreign sourced income

## Small business relief

For start-ups and small businesses, the UAE CT regime intends to provide relief for small businesses in the form of simplified financial and tax reporting obligations

# Calculation of CT payable

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Determination of CT payable -

Final taxable income	
Final taxable income amount between AED 0 - AED 375,000	CT @ 0% (A)
When the final taxable income is above AED375,000, the difference between the final taxable income and AED 375,000	CT @ 9% (B)
CT liability	A + B
Less Foreign Tax Credit	
Final CT Payable	



# Administration

## Registration and deregistration

- A business subject to CT will need to register with the FTA and obtain a Tax Registration Number within a prescribed period
- Where a business ceases to be subject to the CT, it will apply to FTA to be deregistered within three months

## Filing, payment and refund

Need to prepare and file one tax return and other related supporting schedules with the FTA for each tax period.

Each tax return and related supporting need to be submitted to the FTA within nine months of the end of the relevant Tax Period.

## Assessment and Clarifications

- UAE CT regime will be based on a self-assessment principle
- where there is uncertainty in relation to a proposed transaction, a business may apply to the FTA for a clarification

## Documentation and Transitional rules

- FZ Person to have audited financial statements if it wants to benefit 0% CT
- a taxable person's opening balance sheet for CT purposes would be their closing balance sheet for the period that ends immediately before the first tax period

In case you have any questions or queries, please reach out to us.

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Independent Member

The content has been compiled from the Public Consultation Document issued by the Ministry of Finance, UAE on 28<sup>th</sup> April 2022, in relation to the proposed UAE Corporate Tax Regime

