

Synopsis of Guide to Corporate Tax

Issued in September 2023





Purpose

The guide issued by the FTA is designed to provide general guidance on Corporate Tax in the UAE with a view to making the provisions of the Corporate Tax Law understandable.

It is not a legally binding document but is intended to provide assistance in understanding the provisions relating to the Corporate Tax regime in the UAE. The information provided should not be interpreted as legal or tax advice.

The Corporate Tax Law, the implementing decisions and the guidance materials will set out the principles and rules that govern the application of Corporate Tax. Nothing in this publication modifies or is intended to modify the requirements of any legislation.

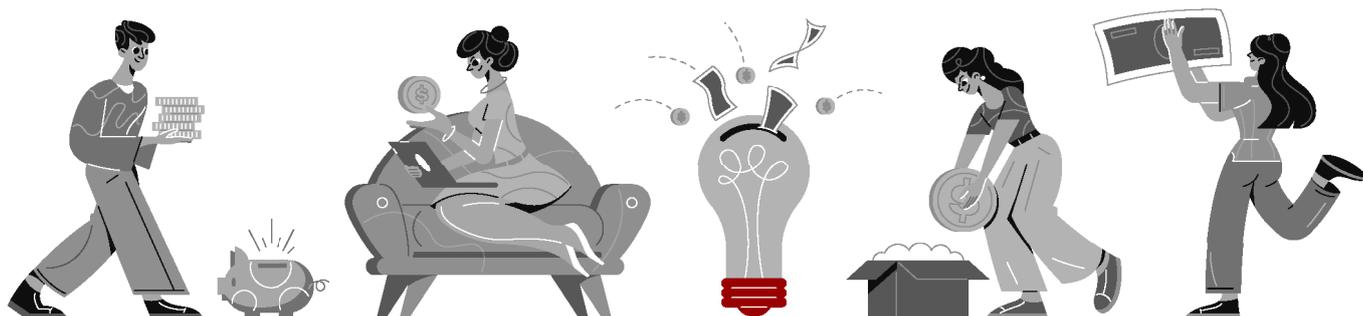


Legislative References

- Federal Decree Law No. 47 of 2022 (UAE CT Law)
- Ministerial Decisions
- Cabinet Decisions
- FTA Decisions

Chapter as per Law	Article as per Law	Chapter as per Guide	Cabinet / Ministerial Decision	Subject	Highlights
Chapter 6	Article 21	Chapter 4	-	Small Business Relief	Incorporated and unincorporated businesses, including businesses operated by natural persons, can potentially benefit from small business relief if they meet the relevant requirements
Chapter 4	Article 11	Chapter 5	49 of 2023 56 of 2023	Taxable Persons	<ul style="list-style-type: none"> ♦ Resident Person <ul style="list-style-type: none"> • Juridical person incorporated or established in the UAE (Mainland and Freezone) • Branch of domestic or foreign juridical person considered as extension and not separate • Foreign person with place of effective management in the UAE (i.e. place where key management and commercial decisions that are necessary for the conduct of the juridical person's business are in substance made, not necessarily residents) ♦ Natural Person <ul style="list-style-type: none"> • Natural persons conducting business over AED 1M turnover in the UAE during a taxable year, irrespective of nationality and residence visa in the UAE • Business includes vocational (skilled craft or trade), commercial, industrial and professional activities (accountancy, consulting, architecture, medical and legal services) ♦ Non-Resident Person <ul style="list-style-type: none"> • Non-Resident that has a PE in the UAE • Non-Resident receiving State Sourced income is subject to Withholding Tax • Non-Resident Juridical Person earning income from immovable property in the UAE (Nexus) ♦ The provisions of DTAA take precedence over the Corporate Tax Law if the terms of the DTAA are inconsistent with the Corporate Tax Law.

Chapter as per Law	Article as per Law	Chapter as per Guide	Cabinet / Ministerial Decision	Subject	Highlights
Chapter 5	Article 18	Chapter 5	55 and 139 of 2023	Free Zone Person	<ul style="list-style-type: none"> ◆ 0% Tax rate to Qualifying Free Zone Persons till expiry of tax incentive period as per relevant Free Zone legislation, unless renewed ◆ Non-Qualifying Income taxable at 9%, without threshold entitlement of AED 375,000/- ◆ Election to be subject to be taxed at general rates is effective for Tax Period the election is made or following tax period and for following four years, after which election can be made again ◆ Free Zone Persons electing to be taxed at general rates can become part of a Tax Group or elect for Small Business Relief
Chapter 4	Article 17	Chapter 5	127 of 2023	Family Foundation	<ul style="list-style-type: none"> ◆ A Family Foundation can be treated as an Unincorporated Partnership. ◆ Trusts and foundations established under ADGM or DIFC have separate legal personality can apply to the FTA to be treated as an Unincorporated Partnership subject to meeting the conditions as per Article 17.
Chapter 3	Article 4, 7 & 8	Chapter 5	-	Exempt Person - Non-Extractive Natural Resource Business	<ul style="list-style-type: none"> ◆ "Natural resources" are defined as water, oil, gas, coal, naturally formed minerals and other Non-renewable, non-living natural resources that may be extracted from UAE's Territory. ◆ Renewable resources such as solar energy, wind, animals and plant materials are not considered as natural resources.



Chapter as per Law	Article as per Law	Chapter as per Guide	Cabinet / Ministerial Decision	Subject	Highlights
Chapter 4	Article 12	Chapter 6	-	Corporate Tax Base	<p>Tax Base</p> <ul style="list-style-type: none"> ◆ A resident juridical - income derived from the UAE or from outside UAE. ◆ A resident natural person - income derived from business activity in the UAE. ◆ A Non-Resident Person -: <ul style="list-style-type: none"> • Income attributable to the PE • Income Attributable to the nexus in UAE ◆ UAE sourced income – subject to withholding tax
Chapter 17	Article 57	Chapter 6	FTA Decision No. 5	Tax Period	<ul style="list-style-type: none"> ◆ Natural Person - Gregorian calendar year ◆ Financial Statements not prepared - Gregorian calendar year
Chapter 6	Article 20	Chapter 6	134 of 2023	Unrealised gain and losses	<ul style="list-style-type: none"> ◆ Taxable Persons are required to include any realised or unrealised gains and losses reported in the Financial Statements in the calculation of their Taxable Income, if they would not subsequently be recognised in their income statement, unless they make the election to use the realisation basis.
Chapter 7	Article 22	Chapter 6	-	Exempt Income	Expenses must be apportioned on a 'fair and reasonable' basis when it is incurred for deriving both Taxable and Exempt Income.
Chapter 7	Article 24	Chapter 6	-	Foreign Permanent Establishment Exemption	The election must apply to all foreign Permanent Establishments that meet the subject to tax requirement.
Chapter 9	Article 28	Chapter 6	-	Deductions	The method of apportioning expenditures should be fair and reasonable and should accurately reflect the underlying activity, should not be unnecessarily burdensome and complex for the Taxable Person to determine and justify, and for the FTA to understand and review.

Chapter as per Law	Article as per Law	Chapter as per Guide	Cabinet / Ministerial Decision	Subject	Highlights
Chapter 9	Article 33	Chapter 6	115 of 2023	Non- Deductible expenses	Contributions made by employers to a private pension fund in respect of its employees which are not paid in the Tax Period or are in excess of 15% of the employee's total remuneration in the relevant Tax Period.
Chapter 10	Article 36	Chapter 6		Connected persons	An owner of a business will be able to deduct their salary when determining the Business' Taxable Income but only insofar as this salary corresponds with the Market Value.
Chapter 19	Article 61	Chapter 6	120 of 2023	Transitional rules	<ul style="list-style-type: none"> ◆ The opening balance sheet shall be the closing balance sheet prepared for financial reporting purposes on the day immediately before the first tax period. ◆ The balance sheet shall be prepared considering arm's length principle. ◆ The method for calculating gain that will be excluded from tax is as under: <ul style="list-style-type: none"> • For immovable property: either time apportionment method or valuation method • For intangible assets: time apportionment method • For financial assets & financial liabilities: valuation method
Chapter 6	Article 21	Chapter 7	73 of 2023	Small Business Relief	Resident person electing this relief will not be required to maintain TP documentation but required to apply the arm's length principle.
Chapter 8	Article 27	Chapter 7	133 of 2023	Business restructuring relief	<ul style="list-style-type: none"> ◆ Individuals can use this relief to shift business to an incorporated entity if conditions met. ◆ Transferred tax losses can be carried forward for the transferee only if they continue a similar business after the transfer.

Chapter as per Law	Article as per Law	Chapter as per Guide	Cabinet / Ministerial Decision	Subject	Highlights
Chapter 4	Article 16	Chapter 8	127 of 2023	Unincorporated Partnerships	<ul style="list-style-type: none"> ◆ Individuals, companies and other legal entities may join with others to form an Unincorporated partnership ◆ A single partner to be appointed for handling Corporate Tax obligations on behalf of the partnership. ◆ The application will be deemed irrevocable except under exceptional circumstances ◆ Notify within 20 business days in case of any partner joining or leaving the Unincorporated Partnership. ◆ Where an Unincorporated Partnership has not made election, partner will not be allowed to deduct expenditure relating to personal travel or home rent given unless incurred for business purposes.
Chapter 12	Article 40	Chapter 8	127 of 2023 and 125 of 2023	Tax Group	<ul style="list-style-type: none"> ◆ Businesses and business activities conducted by a Government Entity can also apply for Tax group ◆ Parent Company and subsidiary must be resident juridical persons under ◆ Parent Company and subsidiary must be resident juridical persons under <ul style="list-style-type: none"> • UAE Corporate Tax Law • relevant DTAA ◆ Parent Company or subsidiary to maintain documentation to confirm that it is not resident for tax purposes in another jurisdiction ◆ Parent Company must consolidate the financial accounts of each subsidiary by the way of aggregation. ◆ The 75% cap on the utilization of carried forward tax losses and the limitation on tax losses carry forward are applicable at Tax Group level

Chapter as per Law	Article as per Law	Chapter as per Guide	Cabinet / Ministerial Decision	Subject	Highlights				
Chapter 2	Article 3(1)	Chapter 9	116 of 2022	Calculation of Corporate Tax Liability	Any single Taxable Person only gets to apply a 0% rate to their first AED 375,000 once per Tax Period				
	Article 3(2)	Chapter 9	55 of 2023	Qualifying Free Zone Person	<table border="1"> <tr> <td>Qualifying Income</td> <td>0%</td> </tr> <tr> <td>Taxable Income that is not Qualifying Income</td> <td>9%</td> </tr> </table> <p>A Qualifying Free Zone Person is subject to the standard 9% Corporate Tax rate without being disqualified from the Free Zone regime on the following income:</p> <ul style="list-style-type: none"> ◆ Income that is attributable to a domestic or a foreign PE ◆ Income that is attributable to a domestic or a foreign PE ◆ Income derived from Commercial Property located in a Free Zone where the transaction is with person other than Free Zone Person ◆ Income derived from residential and other non-Commercial Property located in a Free Zone. <p>Unlike ordinary Taxable Persons, Qualifying Free Zone Persons are not entitled to a 0% rate on their first AED 375,000 of Taxable Income that is not Qualifying Income.</p>	Qualifying Income	0%	Taxable Income that is not Qualifying Income	9%
Qualifying Income	0%								
Taxable Income that is not Qualifying Income	9%								



Chapter as per Law	Article as per Law	Chapter as per Guide	Cabinet / Ministerial Decision	Subject	Highlights
	Article 47	Chapter 9		Foreign Tax Credit	<ul style="list-style-type: none"> ◆ The relief is unilateral and does not rely on a DTAA or any other reciprocal action from the foreign taxing jurisdiction. This relief is unilateral and does not rely on a DTAA or any other reciprocal action from the foreign taxing jurisdiction. ◆ In order to apply Foreign Tax Credit, the pre-tax foreign income must be included in the Taxable Income of the UAE Resident Person. ◆ The amount of Foreign Tax Credit cannot exceed the amount of Corporate Tax due on the foreign source income. ◆ The amount of Foreign Tax Credit cannot exceed the amount of Corporate Tax due on the foreign source income. ◆ Taxable Persons must maintain all necessary records for the purposes of claiming Foreign Tax Credit. ◆ Foreign Tax Credit can only be applied after any Withholding Tax Credit has been applied. ◆ The provisions of DTAA take precedence over the Corporate Tax Law if the terms of the DTAA are inconsistent with the Corporate Tax Law.
Chapter 16	Article 51	Chapter 10		Tax Registration	<p>Resident</p> <ul style="list-style-type: none"> ◆ All Taxable persons to register and obtain tax registration number before the deadline determined by the FTA. <p>Non-Resident –</p> <ul style="list-style-type: none"> ◆ Have PE in UAE – mandatory to register ◆ do not have a PE in the UAE and only earn State Sourced Income – Optional to register ◆ Have a nexus in the UAE (arising from earning income from Immovable Property in the UAE – Mandatory to register
Chapter 16	Article 52	Chapter 10		Tax Deregistration	Deregistration application to be filed within 3 months from the date of cessation of business of the entity.
Chapter 6	Article 20 / 54	Chapter 10		Financial Statements	<p>The FTA can, by notice or by issuing a decision, request a Taxable Person to submit the Financial Statements used to determine their Taxable Income.</p> <p>Audited Financial Statements must be checked by an external licensed auditor.</p>

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		Chapter 10		Elections for CT	<p>Elections can be applied unilaterally by Taxable Persons, and do not require an approval from the FTA to give effect to the Corporate Tax treatment.</p> <p>Election can be made for:</p> <ol style="list-style-type: none"> 1. Benefit from the small business relief; 2. Exempt their Foreign Permanent Establishment income; 3. Account for gains and losses on a realisation basis; 4. Be subject to Corporate Tax at the general rate, if they are a Qualifying Free Zone Person; 5. Apply the relief in relation to transfers in a Qualifying Group; 6. Apply the business restructuring relief; 7. Apply Transitional Relief
		Chapter 10		Application	<p>Provisions which require a Taxable Person to make an application cannot take effect until the FTA has approved the application.</p> <p>Examples of Application:</p> <ol style="list-style-type: none"> 1. To be exempt from Corporate Tax by Qualifying Investment Fund 2. For exemption by a juridical person that is wholly owned and controlled by certain types of Exempt Persons 3. To treat a Government Entity's taxable Businesses as a single Taxable Person 4. To treat an Unincorporated Partnership as a single Taxable Person; 5. To treat a Family Foundation as an Unincorporated Partnership 6. To request a clarification from the FTA 7. To request a refund from the FTA 8. To adjust Taxable Income following an adjustment by a foreign tax authority 9. To move from the Cash Basis of Accounting to Accrual Basis of Accounting 10. To form, join or leave a Tax Group, replace a Parent Company in a Tax Group, or cease to be a Tax Group 11. To deregister for Corporate Tax 12. To change their Tax Period

Chapter as per Law	Article as per Law	Chapter as per Guide	Cabinet / Ministerial Decision	Subject	Highlights
Chapter 17	Article 53	Chapter 10		Tax Return and Payments	<ul style="list-style-type: none"> ◆ Corporate Tax is a self-assessed regime. ◆ Penalty for delay in filing the return <ul style="list-style-type: none"> ● AED 500 for each month of delay, for first 12 months ● AED 1,000 for each month of day from 13th month onwards. ◆ The Tax Return can be submitted by the Taxable Person, or another Person who has the right to do so on the Taxable Person's behalf, for eg. a tax agent or a legal representative.
Chapter 17	Article 56	Chapter 10		Record Keeping	<ul style="list-style-type: none"> ◆ Apart from Financial Statements, the Corporate Tax Law does not specify which records or documentation should be maintained, or the format in which they should be kept. ◆ The information maintained should typically include, but it is not limited to: <ul style="list-style-type: none"> ● A record of the Taxable Person's transactions in the Tax Period; ● A record of the Taxable Person's liabilities; and ● A record of any stock held at the end of the Tax Period. <p>Examples of specific documents which might be kept include but are not limited to:</p> <ul style="list-style-type: none"> ◆ Bank statements; ◆ Loan or financing documentation; ◆ Sale and purchase ledgers; ◆ Invoices or other records of daily earnings, such as till rolls; ◆ Order records and delivery notes; and ◆ Other relevant business correspondence. <p>There is no requirement that these documents are maintained in their original format and it may be possible to keep them in an alternative format. For example, paper receipts could be scanned and stored electronically.</p>



Glossary

ALP	Arm's Length Principle
AED	United Arab Emirates Dirham
ADGM	Abu Dhabi Global Market
CT	Corporate Tax
CT Law	Federal Decree-Law No. 47 of 2022
DTAA	Double Tax Avoidance Agreement
DIFC	Dubai International Financial Centre
FTA	Federal Tax Authority
FZ	Free Zone
FZP	Free Zone Person
PE	Permanent Establishment
TP	Transfer Pricing

Our Services



Audit & Assurance

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- Working Capital Finance
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- Business Feasibility Study
- Market Research & Business Plan
- Mergers & Acquisition

Accounting & MIS Reporting

- Accounting & Financial Reporting
- Accounting Outsourcing
- Updating of Backlog Accounts
- Fixed Asset Management
- Standard Operating Procedures.
- Inventory Verification

TAX

Direct Tax

- UAE Corporate Tax
 - » First Time Adoption
 - » Tax Compliance
 - » Tax Advisory
 - » Tax Training
- Transfer Pricing [TP]
 - » Country by Country Reporting [CbCR]
 - » TP Local File and Master File
 - » TP Advisory
- International Tax
 - » Review of International Transaction
 - » Economic Substance Regulation
 - » Tax Residency Certificate
 - » Ultimate Beneficial Owner Regulation [UBO]

Indirect Tax

- Value Added Tax [VAT]
 - » Advisory
 - » Tax Agency Service
 - » Pre- Tax Audit
 - » VAT Return Filing & Refund
 - » Registration/De-registration
 - » Representation to FTA
- Excise Tax
- Customs Tax

Company Incorporation

- Company Formation
 - » Mainland
 - » Free Zone
 - » Offshore
- Local | Corporate Sponsorship
- Company Liquidation
- Offshore Registered Agent –JAFZA
- PRO Service



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