



Highlights of UAE Corporate Tax



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UAE Corporate Tax timeline





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UAE Corporate Tax highlights



Highlights of the UAE CT



Effective date

- Effective for financial years starting on or after 1 June 2023
- Different scenarios per accounting period:
 - **30 June year end** – first CT period **from 1 July 2023** to June 2024, CT return and payment by **end 2024**
 - **31 December year end** – first CT period **from 1 January 2024** to 31 December 2024, CT return and payment by **mid 2025**
 - **31 March year end** – first CT period **from 1 April 2024** to 31 March 2025, CT return and payment by second **half 2025**



Rates

- **0%** for taxable income below AED 375,000
- **9%** for taxable income above AED 375,000; e.g. – if taxable income is AED 500,000, then 9% applies only on AED 125,000
- Different rate (**15%**) should be considered for BEPS Pillar 2 – (Multinational Entity ('**MNE**')) with consolidated annual global revenue above EUR 750m for at least 2 previous financial years out of the 4 last ones)
- **0% withholding tax** on cross border payments



Taxable persons

- **All UAE businesses in mainland and Free Zone ('FZ') locations**, including individuals with Business or Business activities
- Individuals will be subject to UAE CT only if they conduct **a trade or business in the UAE in an ongoing or regular manner**
- **Foreign** entities with a **permanent establishment** in the UAE.

Highlights of the UAE CT



Free Zones

- FZ entities will be subject to **0% rate provided all required conditions** (e.g. Qualifying Free Zone Persons)
- Even if subject to 0% **FZ entities need to register and file annual CT return**
- **Without providing all required conditions 9% rate** should be applied (e.g. on non-qualifying income)



Exemptions and exclusions

- Exempt Persons as defined in the Corporate Tax Law are not subject to Corporate Tax. Businesses engaged in the **extraction of natural resources** will remain subject to Emirate level corporate taxation only
- **Individuals** should generally not be in-scope unless they undertake a business that is linked to a business/freelance license/permit
- **Dividends and capital gains** earned from qualifying shareholdings in and outside UAE (**participation exemption**)
- Gains from **qualifying intra-group transactions and reorganizations** shall be exempt subject to conditions (c.f. transfer pricing rules)



Tax grouping

- Single tax payer: UAE group of companies may elect to form a **tax group for CT purposes** with one tax return filing and payment for the entire group by the Parent company
- **Minimum of 95% shareholding** required from the company group (**FZ entities excluded**)
- In practice, this may result in **multiple groupings** for different purposes:
 - 1) Primary grouping for consolidated financial statements
 - 2) Separate UAE VAT group
 - 3) Separate UAE CT group
 - 4) Separate UAE country level grouping for BEPS Pillar 2 purpose
- Accounting rules should be considered (**IFRS**)

Highlights of the UAE CT



Tax calculation and payment

- Taxable income is calculated based on the **accounting net profit** reported in financial statements prepared under internationally acceptable accounting standards
- Certain **tax adjustments** (e.g. exempted income, additional taxable income, permanent and temporary differences) will be made to arrive to taxable income
- **Business expenses are deductible** unless excluded
- **Interest deduction** is limited to 30% EBITDA
- **Taxable losses** may be carried forward to subsequent periods to offset taxable income (capped at 75%)
- **Foreign tax credit available for UAE taxable income**
- **Annual tax return filing and tax payment.** No provisional/advance tax calculations/payments



Transfer Pricing

- Taxpayers will be required to comply **with transfer pricing rules and documentation** requirements set with reference to the OECD Transfer Pricing Guidelines



Administration

- FTA will be responsible for the **administration, collection, and enforcement of UAE CT**
- General **tax anti-avoidance rules** to challenge any primarily tax driven optimization/reorganization
- **CT penalties** will be covered in the Tax Procedure Law issued on 4 November 2022 (New TPL)



02

Free Zones



Free Zone entity

Tax liability

Qualifying Income – 0%

FZ entities are subject to 0% CT if they are considered Qualifying Free Zone Person and earn qualifying income.

QFZP needs to meet **all** the following cumulative conditions:

- Maintains adequate substance in the UAE
- Derives Qualifying Income
- Has not elected to be subject to Corporate Tax
- Complies with Arm's length principles and TP documentation
- Meets any other conditions as may be prescribed by the Minister

Recent clarifications received

- The definition of qualifying Income.
- The definition of exclusive activity
- The definition of qualifying Free Zone Persons.
- Implications of mainland sourced income on the application of the Free Zone tax incentive

Clarifications still required

- Is election to be a taxable irrevocable?
- The implication of BEPS 2.0 Pillar 2 global minimum tax



03

Exempt Persons



Exempt Persons

According to the Federal Decree Law (No 47) several the following Persons shall be **exempt from Corporate Tax**. Please note that the below description of entities are not exhaustive (refer to the Chapter 3 of Federal Decree Law)..

Government Entities

The UAE Federal and Local Governments and their departments, agencies, ministries, authorities and public institutions (all defined individually as a 'Government Entity') will be exempt from UAE CT.

Government Controlled Entities

A Government Controlled Entity is defined as an entity that is directly or indirectly wholly owned and controlled by a Government Entity, as specified in a Cabinet Decision.

Person engaged in an Extractive Business

Corresponds to a person having right to undertake Extractive Business and subject to Emirate level corporate tax

Person engaged in a Non-Extractive Natural Resource Business

Corresponds to a Non-Extractive Natural Resource Business that is subject to Emirate level corporate tax (e.g. oil and gas distribution entity).

Qualifying Public Benefit Entity

Exclusively for religious, charitable, scientific, artistic, cultural, educational, healthcare, environmental, humanitarian, animal protection or similar purposes. It does not conduct a Business or Business Activity.

Qualifying Investment Fund

The investment fund or the investment fund's manager is subject to the regulatory oversight of a competent authority in the State, or a foreign competent authority.

Public pension or social security fund, or a private pension

Corresponds to investment fund that provides retirement income or provides for payment of Social Security.

Juridical person incorporated in the State wholly owned and controlled by an Exempt Person

Corresponds to a person engaged exclusively in holding assets or investing funds for the benefit of the Exempt Person and carries out activities that are ancillary to those carried out by the Exempt Person.

Person determined in a decision issued by the Cabinet at the suggestion of the Minister

Cf. Cabinet decisions.



05

Tax Grouping in a UAE CT perspective



Tax Grouping in a UAE CT perspective



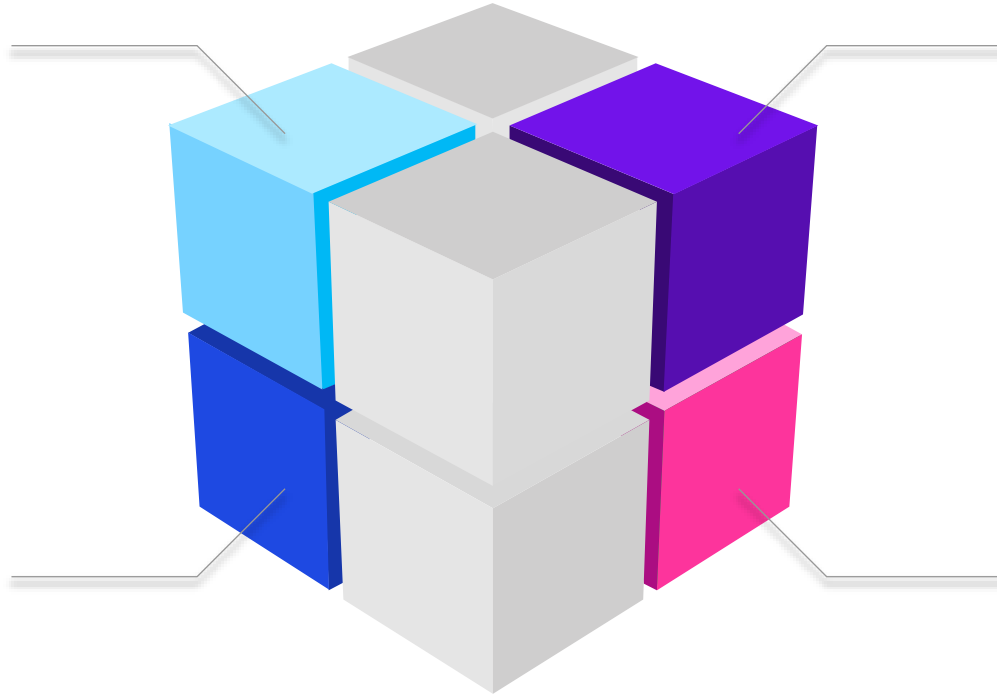
What is a Tax Group?

- A cluster of companies from the same group treated as one for UAE CT purposes.
- File a single CT return and pay taxes on total profits.



Eligibility Criteria

- Members must be legal entities.
- Parent company must hold 95%+ in share capital, voting rights, profits, and net assets of subsidiaries.
- Cannot be Exempt or Qualifying FZ Persons.
- Must have the same financial year and accounting standards.



Advantages +

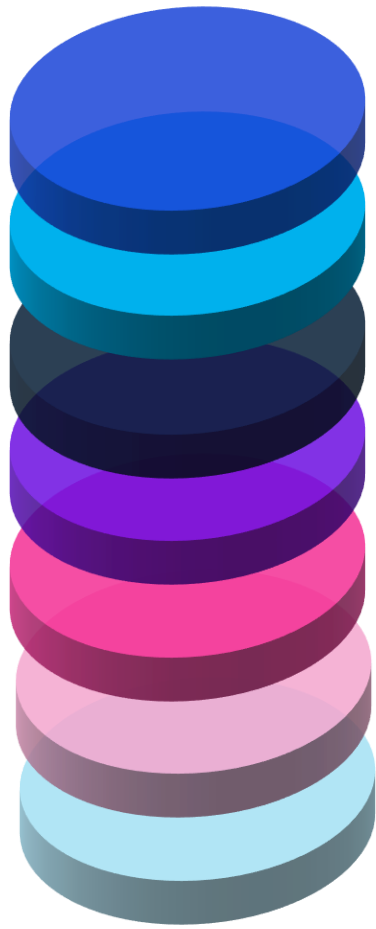
- Simplified compliance: One tax return for the entire group.
- Cost and time savings: Reduced registration and filing time and fees
- Improved cash flow: Offset losses with profits within the group.



Disadvantage -

- Joint Liabilities: All members cover any tax liability.
- Risk Sharing: All share the consequences of mistakes.
- Limited Flexibility: Need approval to leave the group.
- Complex Setup: Requires amount of paperwork and coordination.

Transfer Pricing under UAE CT law



01

Market value - Article 1

02

Related parties - Article 35.1

03

Arm's length principle - Article 34.2

04

Connected persons - Article 36.2

05

Transfer Pricing Methods - Article 34.3 – 34.6

06

Control - Article 35.2

07

Arm's length range - Article 34.7



In line with internationally accepted transfer pricing principles set forth in the OECD Transfer Pricing Guidelines.

Transfer Pricing under UAE CT law



Transfer Pricing Documentation

- Transfer pricing disclosure – information about the transactions carried out by the taxpayer with its related parties and connected persons, to be filed with the FTA together with the tax return (within 9 months from fiscal year end)
- Master File, Local file (under a prescribed form) to be provided to the FTA within 30 days upon request
- Advanced pricing arrangements will be exploitable as well, through the regular clarification process that is already in place.



Yet to be clarified

- Threshold and Contents for Master File, Local File and Transfer Pricing Disclosure



07

Compliance and Administration



Compliance and Administration



Tax registration

- The form and manner in which entities should register for a Tax Registration number, as well as the timeline for registration is to be confirmed.



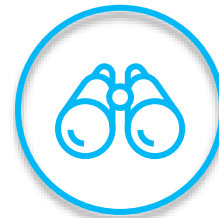
Transitional provisions

- A Taxable Person's opening balance sheet for Corporate Tax purposes should be the closing balance sheet prepared for financial reporting purposes under accounting standards as on the last day of the Financial Year that ends immediately before the first tax period commences.
- It should be prepared taking into consideration the arm's length principle.



Tax de-registration

- An entity can apply for Tax Deregistration provided it has paid all Corporate Tax and Administrative Penalties and all due Tax Returns have been filed.
- The Tax Authority could also deregister a business themselves when these conditions have been met or when the taxable person ceases to exist.



Anti- abuse

- It applies to a transaction or an arrangement undertaken to obtain a Corporate Tax advantage and not for a valid commercial or other non-fiscal reason which reflects economic reality.
- The FTA may make adjustments to counteract the CT advantage (by making compensating adjustments to the CT liability).

Compliance and Administration



Key Highlights

| | |
|--|--|
| Who has to pay tax and file Tax Return? | <ul style="list-style-type: none"> • Taxable Person; or • Parent Company on behalf of the Tax Group |
| Where does it need to be filed? | <ul style="list-style-type: none"> • Filed with the FTA |
| What are the timelines? | <ul style="list-style-type: none"> • A Taxable Person must settle tax payment and file the Tax Return no later than 9 months from the end of the Reporting Period. • <i>For FY ended 31 December 2024, due date to file the Tax Return is 30 September 2025.</i> |
| Financial statements ('FS') | <ul style="list-style-type: none"> • Standalone FS of each Taxable Person; or • Consolidated FS to be prepared by the parent company (after eliminating transactions between the parent company and each subsidiary group member) |
| Other provisions | <ul style="list-style-type: none"> • Application for refund of excess tax paid needs to be made in accordance with the Tax Procedures Law (TPL). • Assessments and applicable penalties and fines for violations would be in accordance with the TPL • Documents and records to be maintained for 7 years |



Contents of Tax Return

- a) Tax Period to which the Tax Return relates
- b) Name, address and Tax Registration Nbr. of the Taxable Person
- c) The date of submission of the Tax Return.
- d) The accounting basis used in FS
- e) Taxable Income for the Tax Period.
- f) Amount of Tax Loss relief claimed
- g) Amount of Tax Loss transferred
- h) Available tax credits claimed
- i) Corporate Tax Payable for the Tax Period

The form and manner in which the returns must be filed is yet to be prescribed by the Authority.



09

Various Cabinet and Minister Decision Received as of Today



Cabinet and Minister Decisions (1/3)

No. 116

2022

[link](#)

Cabinet of Ministers Decision No. 116 of 2022 on the annual Taxable Income subject to Corporate

No. 47

2022

[link](#)

Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

No. 73

2023

[link](#)

Ministerial Decision No. 73 of 2023 on Small Business Relief for the Purposes of Federal Decree-Law No. 47 of 2022

No. 68

2023

[link](#)

Ministerial Decision No. 68 of 2023 on the Treatment of all Businesses and Business Activities Conducted by a Government Entity as a Single Taxable Person

No. 43

2023

[link](#)

Ministerial Decision No. 43 of 2023 Concerning Exception from Tax Registration for the Purpose of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

No. 37

2023

[link](#)

Cabinet Decision No. 37 of 2023 Regarding the Qualifying Public Benefit Entities for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

No. 83

2023

[link](#)

Ministerial Decision No. 83 of 2023 on the Determination of the Conditions under which the Presence of a Natural Person in the State would not Create a Permanent Establishment for a Non-Resident Person for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

No. 82

2023

[link](#)

Ministerial Decision No. 82 of 2023 on the Determination of Categories of Taxable Persons Required to Prepare and Maintain Audited Financial Statements for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Cabinet and Minister Decisions (2/3)

No. 97

2023

[link](#)

Ministerial Decision No. 97 of 2023 Requirements for Maintaining Transfer Pricing Documentation for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

No. 49

2023

[link](#)

Cabinet Decision No. (49) of 2023 On Specifying the Categories of Businesses or Business Activities Conducted by a Resident or Non-Resident Natural Person that are Subject to Corporate Tax

No. 114

2023

[link](#)

Ministerial Decision No. 114 of 2023 on the Accounting Standards and Methods for Corporate Tax Purposes

No. 115

2023

[link](#)

Ministerial Decision No.115 of 2023 on Private Pension Funds and Private Social Security Funds for Corporate Tax Purposes

No. 105

2023

[link](#)

Ministerial Decision No. 105 of 2023 on the Determination of the Conditions under which a Person may Continue to be Deemed as an Exempt Person, or Cease to be Deemed as an Exempt Person from a Different Date for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

No. 116

2023

[link](#)

Ministerial Decision No. 116 of 2023 on the Participation Exemption for Corporate Tax Purposes

No. 120

2023

[link](#)

Ministerial Decision No. 120 of 2023 on the Adjustments Under the Transitional Rules for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

No. 125

2023

[link](#)

Ministerial Decision No. 125 of 2023 on Tax Group for the Purposes of Federal Decree-Law No. 47 of 2022

Cabinet and Minister Decisions (3/3)

No. 126

2023

[link](#)

Ministerial Decision No. 126 of 2023 on the General Interest Deduction Limitation Rule for the Purposes of Federal Decree-Law No. 47 of 2022

No. 127

2023

[link](#)

Ministerial Decision No. 127 of 2023 on Unincorporated Partnership, Foreign Partnership and Family Foundation for the Purposes of Federal Decree-Law No. 47 of 2022

No. 132

2023

[link](#)

Ministerial Decision No. 132 of 2023 on Transfers Within a Qualifying Group for Corporate Tax Purposes

No. 133

2023

[link](#)

Ministerial Decision No. 133 of 2023 on Business Restructuring Relief for Corporate Tax Purposes

No. 134

2023

[link](#)

Ministerial Decision No. 134 of 2023 on the on the General Rules for Determining Taxable Income for Corporate Tax Purposes

No. 139

2023

[link](#)

Ministerial Decision No. 139 of 2023 Regarding Qualifying Activities and Excluded Activities

No. 55

2023

[link](#)

Cabinet Decision No. 55 of 2023 on Qualifying Income

No. 56

2023

[link](#)

Cabinet Decision No. 56 of 2023 on Determination of a Non-Resident Persons Nexus