



UAE Corporate Tax Overview

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UAE Business Setup Consultants

A guide to the UAE corporate tax laws.



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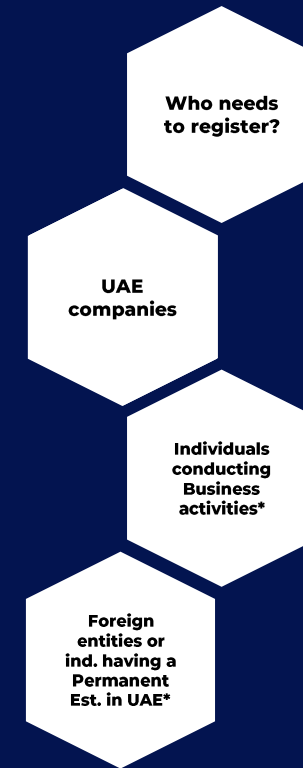
- **Introduction**
- **What is corporate tax?**
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- **Timeline**
- **Tax exemptions and free zones**
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* – More updates to be released.

Introduction

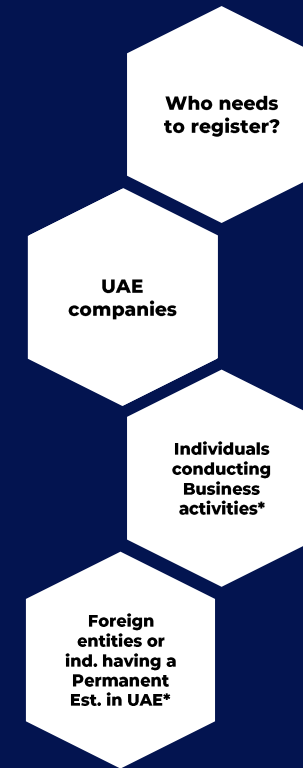
- **Corporate Tax** is a form of direct tax levied on **the net income** of corporations and other businesses.
- What is Taxed?
 - A “**Resident Person**” is taxed on **income derived from both domestic and foreign sources** (i.e. a residence basis).
 - A “**Non-Resident Person**” will be taxed **only on income derived from sources within the UAE** (i.e. a source basis).



Introduction - continued

Who is a Resident person?

- Companies incorporated under the laws of the UAE, under either **mainland legislation** or **applicable Free Zone regulations**.
- **Foreign companies** that are **effectively managed and controlled in the UAE**. Determining factors being where key management and commercial decisions are in substance made.*
- Natural persons on income from both **domestic** and **foreign sources**, but only insofar as such income is derived from a Business or Business Activity conducted by the natural person in the UAE. Any other income earned by a natural person would not be within the scope of Corporate Tax.



Introduction - continued

What is a **Permanent Establishment**?

- The main purpose of the Permanent Establishment concept in the UAE Corporate Tax Law is to determine if and when a foreign person has established sufficient presence in the UAE to warrant the business profits of that foreign person to be subject to Corporate Tax.



What is **corporate tax**?

The United Arab Emirates' 2023 corporate tax rate will be a **9% tax** levied on the **profits** on business that generate **over 375,000 AED** (approximately **USD \$100,000**).

Businesses with profit **less** than the aforementioned threshold will be **exempt** from paying the tax.

Corporate **Tax Rate**

TIER 1 0% TAX RATE

PROFITS UP TO

AED 375,000 = 0% TAX RATE

TIER 2 9% TAX RATE

PROFITS OVER

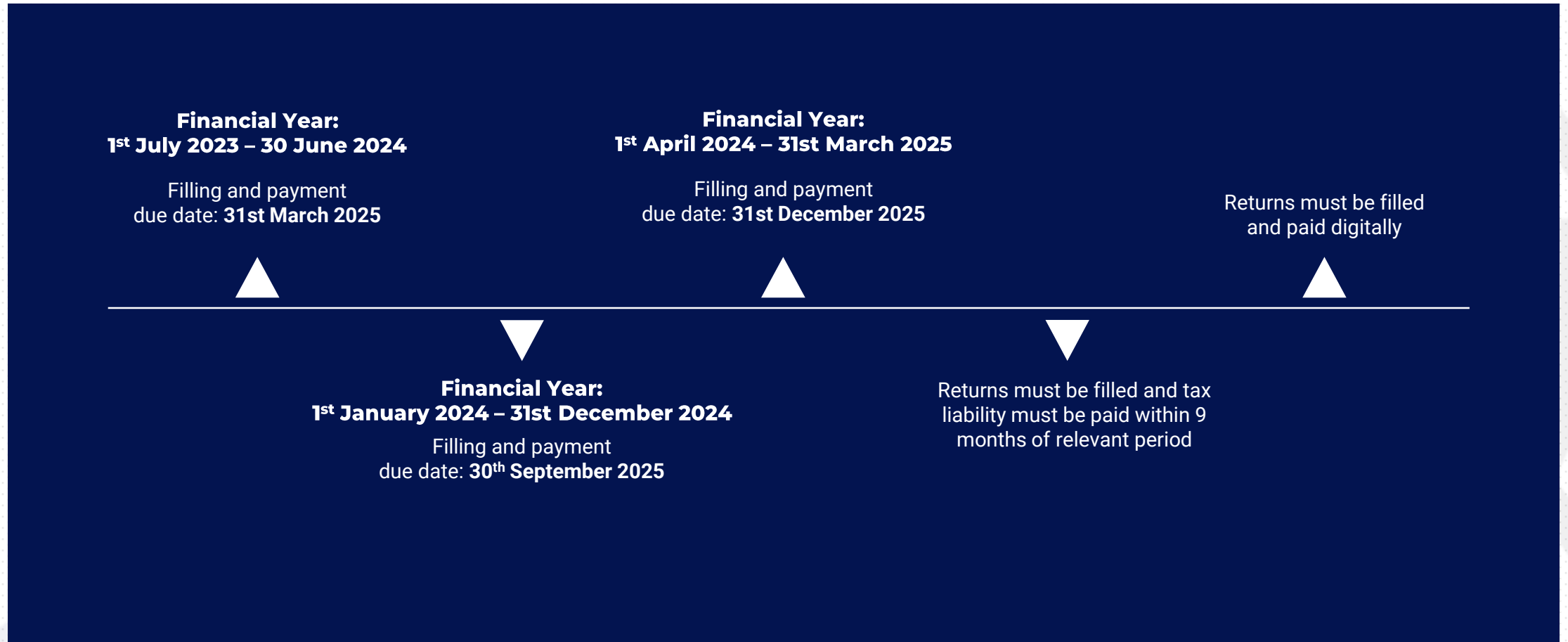
AED 375,000 = 9% TAX RATE

TIER 3 DIFFERENT TAX RATE

PROFITS OVER

AED 3.5 BILLION = HIGHER TAX RATE

Timeline



Tax exemptions, Free Zones & Tax Groups

- **When can a Free Zone Person be a Qualifying Free Zone Person (for 0% CT)?**
 - A Free Zone Person that is a Qualifying Free Zone Person can benefit from a preferential Corporate Tax rate of 0% on their “Qualifying Income” only.
 - In order to be considered a Qualifying Free Zone Person, the Free Zone Person must:
 - maintain adequate substance in the UAE;
 - derive ‘Qualifying Income’;
 - not have made an election to be subject to Corporate Tax at the standard rates;
 - and comply with the transfer pricing requirements under the Corporate Tax Law.
 - the Authorities may prescribe additional conditions that a Qualifying Free Zone Person must meet.

Withholding
tax does not
apply to
transactions
between UAE
resident
persons

Foreign
entities or ind.
having a
Permanent
Est. in UAE*

Tax exemptions, Free Zones & Tax Groups

What are Tax Groups, and when can they be formed?

- To form a Tax Group, the parent company must:
 - own at least 95% of the share capital of the subsidiary;
 - hold at least 95% of the voting rights in the subsidiary; and
 - is entitled to at least 95% of the subsidiary's profits and net assets.
- Transactions between the parent company and each group member and transactions between the group members would be eliminated for the purposes of calculating the Taxable Income of the Tax Group.



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References:

<https://mof.gov.ae/corporate-tax/>

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