



UAE Corporate Income Tax

Summary of Key Facts



Effective for financial years starting on or after 1 June 2023.

Objectives

Cementing the UAE's position as a world-leading hub for business and investment

Meeting international standards for tax transparency and preventing harmful tax practices

Accelerating the UAE's development and transformation to achieve its strategic objectives

UAE CT Rate

- ✓ 0% for taxable income up to AED 375,000
- ✓ 9% for taxable income above AED 375,000
- ✓ A different tax rate for large multinationals that meet specific criteria set with reference to 'Pillar Two' of the OECD Base Erosion and Profit Shifting project

Effective Date

For financial years starting on or after 1 June 2023

Governing Authority

Federal Tax Authority

Applicability

All Businesses and Commercial Activities except for the extraction of natural resources, which will remain subject to Emirate level corporate taxation.

Tax Base

Accounting Net Profit of a business (as reported in the financial statements prepared in accordance with IFRS) subject to certain adjustment (To be specified).

Not applicable to:

Dividends and capital gains earned by a UAE business from its qualifying shareholdings (To be defined in UAE CT Law) will be exempted.

Loss Adjustment

Offset of losses incurred (as from the UAE CT effective date) allowed. Further details to be provided in UAE CT Law

Tax Registration

Required by all business including in Free Zones

Tax Returns

- ✓ Only one CT Return to be submitted electronically per financial period.
- ✓ Tax Group to submit a single tax return for the group

Advance Payment of CT

Not required

Penel Provisions

Yes, Further information will be provided in due course

Tax Credit

Credit of foreign CT paid on UAE taxable income allowed against the UAE CT liability.

Business by Individuals

CT Applicable on individual having (or required to obtain) a business licence or permit to carry out the relevant commercial, industrial and/or professional activity in the UAE

Tax Group

- ✓ Formation of a Tax Group allowed
- ✓ Tax losses from one group company may be used to offset taxable income of another group company, provided certain conditions are met.
- ✓ Intra-group Transactions - Exempted - Conditions to be defined in UAE CT Law.

Tax on Foreign Company or Individual

Foreign Companies or Individuals will be subject to UAE CT if they conduct a trade or business in the UAE in an ongoing or regular manner.

Income from other sources of foreign investors

Generally, Exempt - Income from dividends, capital gains, interest, royalties and other investment returns.

Free Zone Entities

Free Zone Businesses are subject to CT. UAE CT will continue honour the CT incentives currently being offered to free zone that comply with all regulatory requirements and that do not conduct business with mainland UAE. Further details awaited.

Entities in Financial Free Zone

Same rules of CT applicable across all the free zones.

Transfer Pricing Rules

UAE businesses need to comply with TP rules and documentation requirements as set out in the OECD Transfer Pricing Guidelines.

Freelance Professional

No Tax if the annual net income is below AED 375,000

Business by Individuals

- ✓ CT Applicable on individual having (or required to obtain) a business licence or permit to carry out the relevant commercial, industrial and/or professional activity in the UAE
- ✓ No Tax on Salary and income earned from bank deposits or saving schemes
- ✓ No Tax on Interest/ other income earned from bank deposits or saving schemes. Business income earned under a commercial license will be taxable.
- ✓ Income from real estate in personal capacity should not be subject to UAE CT provided the individual is not required to obtain a commercial license/ permit to carry out such activity in the UAE.