

HANDBOOK ON UAE CORPORATE TAX

Volume 1

Federal Decree-Law No. 47 of 2022



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INTRODUCTION

The United Arab Emirates has been gaining strength on the compliance aspects of the business during the last few years. To ensure continued ease of doing business, the compliances are aimed at strengthening ethical business practices while ensuring simplicity and lucidity of understanding and application.

To enhance UAE's commitment to meeting international standards of tax transparency and prevention of harmful tax practices in line with the principles of Organisation for Economic Corporation and Development (OECD), the UAE Ministry of Finance has issued the Federal Decree Law no. 47 of 2022, titled Taxation of Corporations and Businesses, popularly called the Corporate Tax Law on 09th December 2022.

This law is a much-awaited regulatory enactment among the tax professionals and business communities at large. Evas International, with its continued drive to educate and harmonise compliances among businesses have comprehensively analysed and summarized the Corporate Tax Law in a succinct manner highlighting its key legislative features at the interests of the readers.

The contents herein are formed purely on the basis of interpretation of the Corporate Tax Law and would have to be reconfirmed and re-analysed once the executive implementing regulations and other related cabinet decisions related to this law are published.

We have also published a sister document titled 'Around the law in 100 questions' explaining the law in a series of simple Q & A. Readers can download this document from our website www.evasinternational.com

I would like to take this opportunity to declare myself to be available at your service for corporate tax and transfer pricing related assistance and ponder my appreciation to our corporate tax team whose persistent efforts have contributed to this summary document. I also specially thank DR. S. Kevin, Former Pro Vice Chancellor, University of Kerala for his constant encouragement and support in penning down the preface for this document. I hope you find this book purposeful.

Vijaya Mohan,
Managing Partner, Evas International

PREFACE

Knowledge workers have to be continuous learners as they are required to use the latest information and knowledge in their work. Accountants and Tax Consultants dealing with corporate enterprises in the United Arab Emirates (UAE) currently face such a situation. A new legislation introducing corporate tax in UAE has been released. This new legal document has to be studied by all stakeholders to understand the application and the implications of the different legal provisions contained in it. This learning process will continue until the provisions and practices of corporate taxation according to the new law are properly understood and settled.

The UAE Ministry of Finance published the Federal Decree Law no. 47 of 2022 titled TAXATION OF CORPORATIONS AND BUSINESS HOUSES on 9th December 2022. It is a concise document dealing with the important aspects of corporate taxation with twenty Chapters and seventy Articles. It starts with Chapter 1 dealing with General Provisions and ends with Chapter 20 dealing with Closing Provisions. The important Provisions laid out in the document include imposition of corporate tax and applicable rates, exempt person, taxable person, corporate tax base, free zone person, calculating taxable income, exempt income, reliefs, deductions, calculation of corporate tax payable, payment and refund of corporate tax, tax returns, violations and penalties.

Article 69 states that this Decree Law shall apply to Tax Periods commencing on or after 1 June 2023. It mandates that the new corporate tax will be applicable to corporates starting Financial Year on or after 1 June 2023. There is hardly a time gap of six months for the transition to the new tax regime. The accounting practices and tax practices of corporates have to be modified as per the provisions of the new law. The stakeholders, including the accountants and tax consultants, face the challenge of completing the learning process within the shortest time.

It is in this context that this issue of the Newsletter includes informative articles on the Corporate Tax Law introduced in UAE. It will definitely facilitate the learning process required for the implementation of the new law. It is a timely service being provided to the accounting community.

DR. S. KEVIN

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CORPORATE TAX IN THE UAE

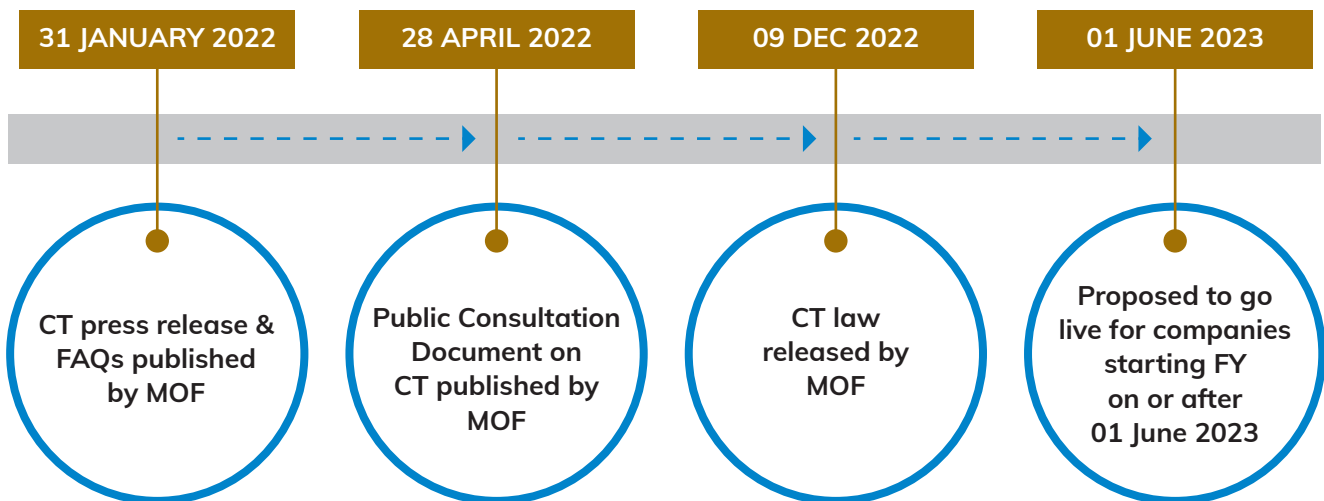
Since beginning of 2022 news and discussions about UAE Corporate Tax (CT) was rampant among business houses and tax consultants with added enthusiasm. After all anticipations and likelihoods, the Ministry of Finance (MOF) has published the Federal Decree Law no. 47 of 2022 titled TAXATION OF CORPORATIONS AND BUSINESS HOUSES on 09 December 2022.

This tax law is published by the Ministry after careful analysis and consideration of opinions from public. While this was an expected release, it still does not take away the fact that this will be a colossal change in a country who till now have only taxed very few businesses (those engaged in extraction and branches foreign banks). We cannot say for certain how it will impact the businesses and economy without complete clarity expected from subsequent cabinet and ministerial decisions which will be released in near time.

In our view, this law checks well with most of the aspects of the Public Consultation Document released in April 2022, provides clarity on many of the key provisions and is predominantly based on the international best practices making it simple for foreign investors and international corporates doing business in the UAE to institute and abide its fulfilments.

Even though the compliances are kept minimum, and tax is kept at an all-time low, there are still several exemptions available for businesses operating across strategic sectors like extractive natural resources and investment funds. Also, addition of Anti Avoidance rules and transfer pricing regulations imbibes the sentiment that resonates with the overall leadership of this landscape which is 'Firm but Fair'.

The following timeline shows the step-by-step deliberations by the MOF:



Through this document we intend to put a detailed discussion by capturing major aspects of the law comprehensively. We have also prepared a sister document titled 'Around the law in 100 questions' explaining the law in a series of simple Q & A. Readers can download this document from our website www.evasinternational.com

We will be delighted to take your questions, feedbacks and comments to help you navigate through this law with relative ease. Please do write to us at tax@evasinternational.com.

Happy reading!

A. APPLICABILITY

A1. Taxable person (Article:11)

Corporate Tax shall be imposed on a Taxable Person at the rates determined as provided in E9. A Taxable Person shall be either a Resident Person or a Non-Resident Person.

A2. Resident Person (Article:11)

A Resident Person is any of the following Persons:

- A Company, corporation or other 'Juridical' person incorporated or established in the UAE. Including those persons recognised to be incorporated or established under a legislation in the UAE like the offshore companies
- Free zone persons
- A Company, corporation or other juridical person who is incorporated, established or otherwise recognised under a law outside UAE, who is effectively managed and controlled in the UAE
- A natural person who conducts a Business or Business Activity in the State.
- Any other Person as may be determined in a decision issued by the Cabinet at the suggestion of the Minister of Finance.

A3. Non-Resident Person (Article:11)

A Non-Resident person is a person not considered as Resident Person and that either:

- Has a Permanent Establishment in the State
- Derives State Sourced Income ([Refer Article 13](#))
- Has a nexus in the State as specified in a decision issued by the Cabinet at the suggestion of the Minister of Finance

A4. Branch in UAE of a Resident Person (Article:11)

A branch in the UAE of a Resident Person, shall be treated as the Resident Person itself, and not a separate independent entity.

A5. State Sourced Income (Article:13)

'State Sourced income' is any income earned by the non-resident person that is

- Derived from a resident person
- Derived from a Non-resident Person, and that income is attributable to the Permanent establishment of the Non-resident person in the UAE
- Derived or accrued from activities performed, assets located, capital invested, rights used or services performed or benefitted from the UAE
- From sale of goods in the UAE
- From provision of services which are rendered, utilised or benefitted from UAE

- From contracts benefitted or wholly/partly performed in the UAE
- From movable or immovable property in the UAE
- From disposal of shares or capital of a Resident Person
- From providing use or right to use of any intellectual or intangible property in the UAE
- Interest income earned
 - From the loan is secured by a movable or immovable property in the UAE
 - From the borrower who is a Resident Person
 - From the borrower who is a Government entity
- Insurance or reinsurance premiums earned
 - From insuring an asset located in the UAE
 - From insuring a person who is a Resident Person or
 - From insuring an activity that is conducted in the UAE

Sale of goods in UAE	Disposal of shares or capital of Resident
Provision of services in the UAE	From intellectual or intangible assets in UAE
Contracts carried out in UAE	Interest income from UAE Resident/Government
Movable or immovable property in the UAE	Income from insurance premiums from UAE

A.6 Permanent Establishment (Article:14)

A Non-resident person has a Permanent establishment in the UAE in any of the following instances:

- When it has a fixed permanent place through which its business in full or part is conducted
- When it has a person who habitually exercises authority to conduct business in its name, and that person is not an independent agent ([Refer A9 and A10](#))
- Where it has any form of nexus which will be specified in a cabinet decision.

A7. Specific inclusions in Permanent Establishment (Article:14)

The Permanent Establishment shall exist if a Non-resident person has the following in the UAE

- A place of management where management and commercial decisions that are necessary for the conduct of the Business are, in substance, made.
- A branch.
- An office.
- A factory.
- A workshop.
- Land, buildings and other real property.
- An installation or structure for the exploration of renewable or non-renewable natural resources.
- A mine, an oil or gas well, a quarry or any other place of extraction of natural resources, including vessels and structures used for the extraction of such resources.
- A building site, a construction project, or place of assembly or installation, or supervisory activities in connection therewith, but only if such site, project or activities, whether separately or together with other sites, projects or activities, **last more than (6) six months**, including connected activities that are conducted at the site or project by one or more Related Parties of the Non-Resident Person.

A8. General exclusions from Permanent establishment (Article:14)

However, the place will not be considered as a Permanent establishment if it is solely used for the following purposes:

- Storing, displaying or delivering of goods or merchandise belonging to that Person.
- Keeping a stock of goods or merchandise belonging to that Person for the sole purpose of processing by another Person.
- Purchasing goods or merchandise or collecting information for the Non-Resident Person.
- Conducting any other activity of a preparatory or auxiliary nature for the Non-Resident Person.

Nevertheless, the above exclusions will not be applicable if the overall activity resulting from the combination of the activities carried out by the Non-Resident Person and its Related Party at the same place or at the two places is not of a preparatory or auxiliary nature and together would form a cohesive Business operation, had the activities not been fragmented

A9. Dependent agent (Article:14)

Permanent establishment shall exist for a Non-resident person who appoints a person who shall be considered as having and habitually exercising an authority to conduct a Business or Business Activity in the UAE on behalf of a Non-Resident Person if any of the following conditions are met:

- The Person habitually concludes contracts on behalf of the Non-Resident Person.
- The Person habitually negotiates contracts that are concluded by the Non-Resident Person without the need for material modification by the Non-Resident Person.

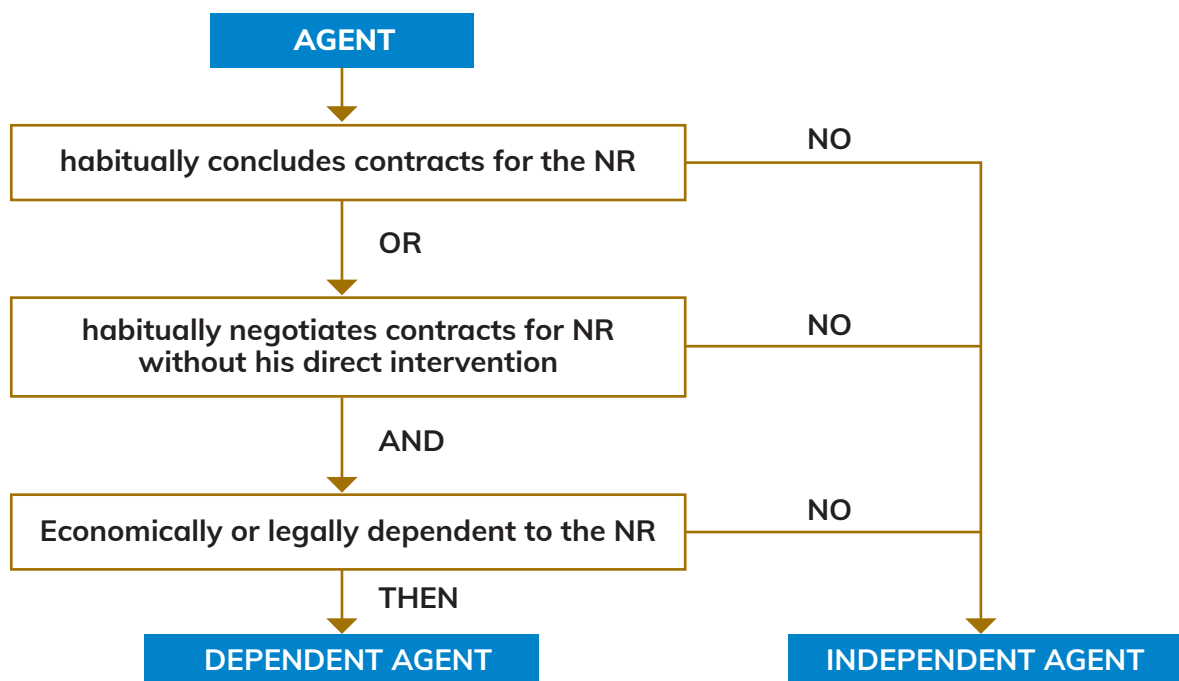
A10. Independent Agent (Article:14)

Permanent establishment shall not exist for a Non-resident person who appoints a person in the UAE as an independent agent and acts for the Non-Resident Person in the ordinary course of that Business or Business Activity, unless the Person acts exclusively or almost exclusively on behalf of the Non-Resident Person, or where that Person cannot be considered legally or economically independent from the Non-Resident Person.

A11. Investment Manager Exemption (Article:15)

An Investment Manager, who provides brokerage or investment management services that is subject to regulatory oversight of the competent authority in UAE shall be considered an independent agent when acting on behalf of a Non-Resident Person, where all of the following conditions are met:

- The Investment Manager is engaged in the business of providing investment management or brokerage services.
- The Investment Manager is subject to the regulatory oversight of the competent authority in the UAE.
- The transactions are carried out in the ordinary course of the Investment Manager's Business.
- The Investment Manager acts in relation to the transactions in an independent capacity.
- The Investment Manager transacts on an arm's length basis with the Non-Resident Person and receives due compensation for the provision of services.
- The Investment Manager is not the Non-Resident Person's representative in the State in relation to any other income or transaction that is subject to Corporate Tax for the same Tax Period.
- Any such other conditions as may be prescribed in a decision issued by the Cabinet at the suggestion of the Minister.



B. SPECIAL PROVISION FOR UNINCORPORATED PARTNERSHIP

B1. Partners in a unincorporated partnership (Article:16)

An Unincorporated Partnership shall not be considered a Taxable Person in its own right, and Persons conducting a Business as an Unincorporated Partnership shall be treated as individual Taxable Persons for the purposes of Corporate Tax i.e the income of the partnership will be taxed in the hands of the partners, and not in the hands of the partnership as a distinct taxable person

B2. Apportionment of income (Article:16)

The assets, liabilities, income and expenditure of the Unincorporated Partnership shall be allocated to each partner in proportion to their distributive share in the unincorporated partnership where the distributive share of a partner cannot be identified. distributive share in that Unincorporated Partnership, or in the manner

B3. Additional Business expenditure for Partner (Article:16)

The Taxable Income of a partner in an Unincorporated Partnership shall take into account the following, which may or may not be directly adjusted with the partnership's net profits in its financial statements:

- Expenditure incurred directly by the partner in conducting the Business of the Unincorporated Partnership.
- Interest expenditure incurred by the partner in relation to contributions made to the capital account of the Unincorporated Partnership
- Interest paid by an Unincorporated Partnership to a partner on their capital account shall be treated as an allocation of income to the partner and is therefore not a deductible expenditure for calculating the Taxable Income of the partner in the Unincorporated Partnership.

B4. Foreign Partnerships (Article:16)

A Foreign Partnership shall be treated as an Unincorporated Partnership for the purposes of Corporate Tax where all of the following conditions are met:

- The Foreign Partnership is not subject to tax under the laws of the foreign jurisdiction.
- Each partner in the Foreign Partnership is individually subject to tax with regards to their distributive share of any income of the Foreign Partnership as and when the income is received by or accrued to the Foreign Partnership.
- Any other conditions as may be prescribed by the Minister.

This effectively means that the foreign partnerships will be taxed in the same manner as they are taxed in their home country. This way there will not be any direct loss of tax credit due to economic double taxation.

B5. Application to be treated as a taxable person (Article:16)

The partners in an Unincorporated Partnership can make an application to the Authority for the Unincorporated Partnership to be treated as a Taxable Person.

Where the application is approved,

- Each partner in the Unincorporated Partnership shall remain jointly and severally liable for the Corporate Tax Payable by the Unincorporated Partnership for those Tax Periods when they are partners in the Unincorporated Partnership
- One partner in the Unincorporated Partnership shall be appointed as the partner responsible for any obligations and proceedings in relation to this Decree-Law on behalf of the Unincorporated Partnership
- the Unincorporated Partnership shall be treated as a Taxable Person effective from the commencement of the Tax Period in which the application is made, or from the commencement of a future Tax Period, or any other date determined by the Authority.

B6. Family Foundation (Article:17)

A Family Foundation can make an application to the Authority to be treated as an Unincorporated Partnership for the purposes of Corporate Tax where all of the following conditions are met:

- The Family Foundation was established for the benefit of identified or identifiable natural persons, or for the benefit of a public benefit entity, or both.
- The principal activity of the Family Foundation is to receive, hold, invest, disburse, or otherwise manage assets or funds associated with savings or investment.
- The Family Foundation does not conduct any activity that would have constituted a Business or Business Activity had the activity been undertaken, or its assets been held, directly by its founder, settlor, or any of its beneficiaries.
- The main or principal purpose of the Family Foundation is not the avoidance of Corporate Tax.
- Any other conditions as may be prescribed by the Minister.

C. EXEMPT PERSONS

C. Exempt persons (Article:04)

The following persons (both natural and juridical persons) will be exempt from CT subject to conditions set by the Ministry of Finance:

- a) Government entities including the Federal Government, Local Governments, Ministries, Government departments, its agencies, Authorities and Public Institutions of Local and Federal Governments.
- b) Any juridical person directly or indirectly wholly owned and controlled by any of the above Government entities.
- c) Any person engaged in the business of exploring, extracting, removing or otherwise producing and exploiting water, oil, gas, coal, naturally formed minerals and other non-renewable, non-living natural resources of a state in the UAE.
- d) Any person engaged in the business of separating, treating, refining, processing, storing, transporting, marketing or distributing the above natural resources of a state in UAE.
- e) Any public benefit entity exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational, healthcare, environmental, humanitarian, animal protection or other similar purposes that meets the conditions specified and is listed in a decision issued by the cabinet at the decision of the Minister of Finance.
- f) Any entity whose principal activity is the issuing of investment interests to raise funds or pool investor funds or establish a joint investment fund with the aim of enabling the holder of such an investment interest to benefit from the profits or gains from the entity's acquisition, holding, management or disposal of investments. And who meets the conditions specified.
- g) A public pension or social security fund, or a private pension or social security fund that is subject to regulatory oversight of the competent authority in the State and that meets any other conditions that may be prescribed by the Minister of Finance.
- h) A juridical person incorporated in the State that is wholly owned and controlled by an Exempt Person specified in paragraphs (a), (b), (f) and (g) above and conducts any of the following:
 - Undertakes part or whole of the activity of the above Exempt Persons.
 - Is engaged exclusively in holding assets or investing funds for the benefit of the Exempt Person.
 - Only carries out activities that are ancillary to those carried out by the Exempt Person.
- i) Any other Person as may be determined in a decision issued by the Cabinet at the suggestion of the Minister.

EXEMPT PERSONS

Government entities	Government controlled entities	Extractive natural resources business	Non-extractive natural resources businesses	Qualifying public benefit entities
Qualifying investment funds	Public pension or social security funds	An entity controlled by an exempt person*	Any other person as determined by Minister of Finance	

*Subject to activities carried out

D. QUALIFYING FREE ZONE

D1. Qualifying Free Zone Person (Article:18)

A Qualifying Free Zone Person is a Free Zone Person that meets **all the following conditions**:

- Maintains adequate substance in the State.
- Derives Qualifying Income which will be specified in a decision issued by the Cabinet at the suggestion of the Minister.
- Has not elected to be subject to Corporate Tax.
- Complies with Arms-length pricing and transfer pricing documentation compliances.
- Meets any other conditions as may be prescribed by the Minister.

D2. Non-fulfilment of conditions (Article:18)

A Qualifying Free Zone Person that fails to meet any of the conditions above at any particular time during a Tax Period shall cease to be a Qualifying Free Zone Person from the beginning of that Tax Period.

D3. Tenure of 0% tax (Article:18)

The application of 0% taxes to a Qualifying Free Zone Person shall apply for the remainder of the tax incentive period stipulated in the applicable legislation of the Free Zone in which the Qualifying Free Zone Person is registered, which period may be extended in accordance with any conditions as may be determined in a decision issued by the Cabinet at the suggestion of the Minister, but any one period shall not exceed (50) fifty years.

D4. Election to be subject to corporate tax (Article:19)

A Qualifying Free Zone Person can make an election to be subject to Corporate Tax at the rates specified.

The election shall be effective from either of:

- The commencement of the Tax Period in which the election is made.
- The commencement of the Tax Period following the Tax Period in which the election was made.

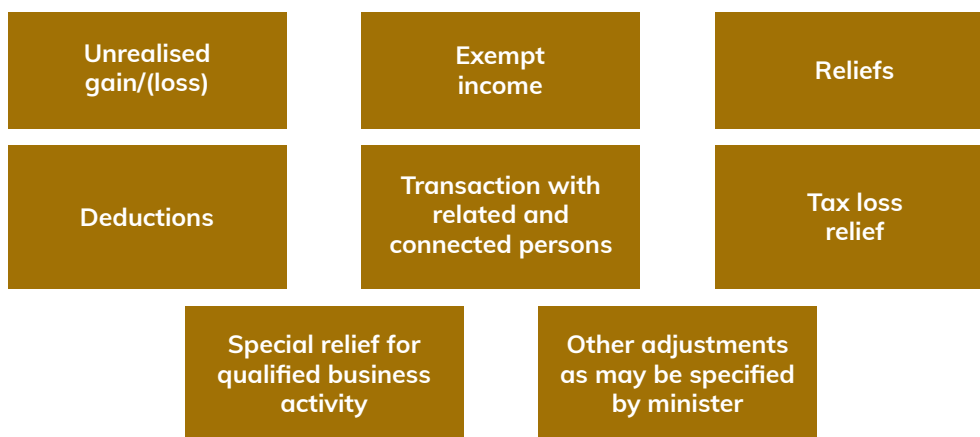
E. TAXABLE INCOME AND CORPORATE TAX RATE

E1. Corporate tax base (Article:12)

- a) A Resident Person, which is a juridical person, is subject to Corporate Tax on its Taxable Income derived from or outside UAE, in accordance with the provisions of the law
- b) The Taxable Income of a Resident Person, which is a natural person, is the income derived from the UAE or from outside the UAE insofar as it relates to the Business or Business Activity conducted by the natural person in the UAE
- c) A Non-Resident Person is subject to Corporate Tax on the following:
 - The Taxable Income that is attributable to the Permanent Establishment of the Non Resident Person in the State.
 - State Sourced Income that is not attributable to a Permanent Establishment of the Non-Resident Person in the State.
 - The Taxable Income that is attributable to the nexus of the Non-Resident Person in the State.

E2. General Rules for Determining Taxable Income (Article:20)

- 1) Corporate Tax is imposed on taxable income, which is basically, reported profit after adjustments specified in Articles 21 to 39 of this Decree Law. Reported profit is determined based on standalone financial statements that is prepared in accordance with applicable accounting standards accepted in UAE
- 2) The following items are required to be adjusted to reported profit: to the extend applicable:



- 3) The taxable person that prepares financial statements on an accrual basis may elect to take into account gains and losses on a realisation basis in relation to:
 - a) all assets and liabilities that are subject to fair value or impairment accounting under the applicable accounting standards; or
 - b) all assets and liabilities held on capital account at the end of a Tax Period, whilst taking into account any unrealised gain or loss that arises in connection with assets and liabilities held on revenue account at the end of that period.

E3. Deductible Expenditure (Article:28)

Deductible expenditure

All legitimate business expenditure incurred in the tax period to derive taxable income shall be allowed as deduction . Capital expenditure would generally be recognized by way of depreciation or amortization. When expenditure is incurred for more than one purpose, proportionate deduction shall be allowed.

Specific disallowance

For the purposes of calculating the Taxable Income for a Tax Period, no deduction is allowed for the following:

- a) Expenditure incurred for the purposes other than business of the taxable person.
- b) Expenditure incurred in deriving exempt income.
- c) Losses not connected with taxable business.
- d) Other expenditure specified by Cabinet decision issued.

E4. Interest Expenditure (Article:29)

Interest expenditure shall be deductible in the tax period in which it is incurred, subject to the limitation rule provided in E5. Any net interest expenditure which exceeds this limit may be carried forward and utilized in the subsequent 10 tax periods.

E5. General Interest Deduction Limitation Rule (Article:30)

Businesses with net interest expenditure above a threshold to be set by the Minister will be allowed to deduct net interest expenditure up to 30% of their earnings before interest, tax, depreciation, and amortization (EBITDA), excluding any exempt income.

This rule is applicable to all sectors except, banks, insurance providers, individuals and other persons as specified by the Minister of Finance.

E6. Specific Interest Deduction Limitation Rule (Article:31)

Interest on loan cannot be claimed if obtained directly or indirectly from a Related Party in respect of any of the following transactions:

- a) A dividend or profit distribution to a Related Party.
- b) A redemption, repurchase, reduction or return of share capital.
- c) A capital contribution to a Related Party.

The interest on the related party loan will not be deductible unless the taxpayer can demonstrate that the main purpose of obtaining the loan and carrying out the transaction is not to gain a Corporate Tax advantage.

E7. Entertainment Expenditure (Article:32)

A taxable person shall be allowed to claim a deduction 50% of any entertainment, amusement, or recreation expenditure incurred during a tax period. Expenditure incurred to receive and entertain customers, shareholders, suppliers, or other business partners and including but not limited to expenditure in connection with any of the following:

- Meals.
- Accommodation.
- Transportation.
- Admission fees,
- Facilities and equipment used in connection with such entertainment, amusement, or recreation.
- Such other expenditure as specified by the Minister.

E8. Non-deductible Expenditure (Article:33)

- a) Donations, grants, or gifts made to non-qualifying public benefit entity.
- b) Bribes, fines, penalties and illicit payments.
- c) Dividends and other profit distributions to an owner.
- d) Amounts withdrawn from the Business by a natural person who is a Taxable person or a partner in an Unincorporated Partnership
- e) Corporate tax imposed under this Decree-Law.
- f) Input VAT recoverable.
- g) Tax on income imposed outside UAE.
- h) Any other expenditure as specified.

E9. Corporate Tax Rate (Article:03)

Corporate Tax shall be imposed on the Taxable income at the following rates:

For Persons other than in a qualifying Free zone:

Particulars	Rate of tax
Taxable income not exceeding a cut off amount	0%
Taxable income exceeding that amount	9%

The cut off amount will be specified in a decision which will be issued by the cabinet at the suggestion of the Minister of Finance.

b) For persons in a qualifying free zone:

Particulars	Rate of tax
On qualifying income	0%
On amount that is not qualifying income	9%

It is to be noted that there is no minimum threshold for taxing non-qualifying income.

F. EXEMPT INCOME

F1. Exempt Income (Article:22)

The following income and related expenditure shall not be considered while determining the taxable income: -

- a) Dividends and profit distributions from a juridical person being a resident in the UAE (even from Qualifying free zone person)
- b) Dividends and profit distributions from participating interest in a foreign juridical person
- c) Any other income from participating interest
- d) Income from foreign permanent establishments subject to conditions
- e) Income derived by a Non-resident Person from operating aircrafts and ships in international transportation subject to conditions

F2. Participation Exemption (Article:23)

Income from a participating interest (5% or greater ownership interest) in a juridical person shall be exempt if **all of the following conditions are met:**

- a) The taxable person has held or intends to hold such participating interest for an uninterrupted period of 12 months.
- b) The juridical person is subject to tax similar to CT at a rate not less than 9% in the legislation of the country in which such juridical person is a resident.
- c) Because of such participation interest, the taxable person is entitled to not less than 5% of profits and liquidation proceeds.
- d) Not more than 50% of the direct and indirect assets of the Participation consist of ownership interests or entitlements that would not have qualified for an exemption from Corporate Tax under this Article if held directly by the Taxable Person.

F3. Foreign Permanent Establishment Exemption (Article:24)

- a) A Resident Person can make an election to not consider the income and associated expenditure of its Foreign Permanent Establishments in determining its Taxable Income.
- b) If the above election is made income, losses or foreign tax credit of such foreign permanent establishment is not considered in determining taxable income while calculating corporate tax of the resident person .
- c) The above exemption is available only when such foreign permanent establishment is subject to tax similar to CT at a rate not less than 9% in the applicable legislation of foreign jurisdiction.

F4. Non-Resident Person Operating Aircraft or Ships in International Transportation (Article:25)

Income by non-resident person from operating aircraft or ships in international transportation is exempt provided all of following conditions are met:

- a) The business activity consists of any of the following:
- providing international transportation of passengers, livestock, mail, parcels, merchandise, or goods by air or by sea.
 - leasing or chartering aircrafts or ships used in international transportation.
 - leasing or chartering equipment which are integral to the seaworthiness of ships, or the airworthiness of aircrafts used in international transportation.
- b) The foreign country where such non-resident is a resident grant similar exemption to similar business activities undertaken by UAE aircraft or ship operators.

G. GAINS/LOSSES NOT CONSIDERED IN THE CALCULATION OF TAXABLE INCOME (RELIEFS)

G1. Transfers Within a Qualifying Group (Article:26)

Whenever there is a transfer of assets or liabilities between members of the qualifying group, no gain or loss arises on such transaction for the purpose of computing taxable income. This provision shall not apply if there is a subsequent transfer of the asset or liability outside of the Qualifying Group or the taxable person cease to be member of the same Qualifying Group.

Qualifying Group (all the following conditions to be satisfied)

- a) They are resident or non-resident persons having permanent establishment in UAE.
- b) One taxable person has 75% or more direct or indirect ownership interest in the other or a third person has 75% or more ownership interest in each of the taxable persons.
- c) None of the persons are exempt person or qualifying free zone person
- d) The financial year of each of the taxable persons ends on the same date
- e) Both the taxable persons follow the same accounting standards to prepare their Financial Statements .

G2. Business Restructuring Relief (Article:27)

- 1) No gain or loss is considered for computation of taxable income under any of the following circumstances: -
 - a) Transfer of business or part of business by one taxable person to another taxable person in exchange for shares or other ownership interests of the transferee.
 - b) Transfer of entire business by one or more taxable persons to another taxable person in exchange for shares or other ownership interests of the transferee resulting in transferor ceasing to exist.
- 2) All of the following conditions are required to be satisfied for receiving the above exemption:
 - a) Transfer is as per the applicable legislation of UAE.
 - b) The Taxable Persons are Resident Persons, or Non-Resident Persons that have a Permanent Establishment in the State.
 - c) None of the Persons are an Exempt Person.
 - d) None of the Persons are a Qualifying Free Zone Person.
 - e) The Financial Year of each of the Taxable Persons ends on the same date
 - f) The Taxable Persons prepare their financial statements using the same accounting standards.
 - g) The transfer is for valid commercial reasons.
- 3) Recognition of transfer for corporate tax
 - a) The transfer is recognized at the net book value of the transferred asset

- b) The value of shares or ownership rights received by transferor shall not exceed shares or ownership rights surrendered by him reduced by any other forms of consideration received.
- c) Unutilized tax losses of the transferor company shall become tax losses of transferee company on account of transfer

G3. Reversal of relief (Article:27)

The relief claimed against taxable income in UAE CT will be reversed if:

- a) there is subsequent transfer of acquired business or independent part within 2 years or.
- b) if the share or ownership interests received are sold, transferred, or disposed of to the non-member of the qualifying group within two years.

H. SMALL BUSINESS RELIEF

H1. Small Business Relief (Article:21)

A Taxable Person that is a Resident Person may elect to be treated as not having derived any Taxable Income for a Tax Period where:

- a) the **Revenue** of the Taxable Person for the relevant Tax Period and previous Tax Periods does not exceed a threshold to be set by the Minister; and.
- b) the Taxable Person meets all other conditions prescribed by the Minister.

The provision shall not apply if the taxable person elects for small business relief:

- Exempt income
- Reliefs specified
- Deductions
- Tax loss relief
- Transfer pricing documentation

I. SET OF, CARRY FORWARD AND TRANSFER OF TAX LOSSES

11. Tax Loss Relief (Article:37)

Tax loss can be offset against the taxable income of the subsequent tax periods.

Maximum Relief

Only up to 75% of the taxable income can be set off using the carry forward Tax loss.

Cannot claim Tax Loss relief for:

- a) Losses incurred before the date of commencement of Corporate Tax
- b) Losses incurred before a person becomes a taxable person under this Law.
- c) Losses incurred against exempt activity.

12. Limitation on Tax Losses Carried Forward (Article:39)

Minimum ownership interest to allow the offset of tax losses

- a) From the beginning of the Tax period in which the Tax Loss incurred to the end of the Tax Period in which Tax Loss is offset against taxable income same person must continuously own at least 50% ownership interest, or
- b) If there is a change of more than 50%, in such case the same or similar business of taxable person must continue.

These provisions are not applicable to entities which are listed on recognized stock exchange.

13. Transfer of Tax Loss between taxable persons (Article:38)

Tax loss (or a portion of it) of a taxable person may be utilized by another taxable person to offset against his taxable income when all the following conditions are met: -

- a) Both the transferor and the transferee are juridical persons, or transferor and transferee are resident persons as the case may be
- b) One taxable person has 75% or more ownership interest in the other or a third has 75% or more ownership interest in each of the taxable persons and such common ownership exist for the entire tax period (from tax loss till set off).
- c) None of the persons are exempt person or qualifying free zone person.
- d) Both the taxable persons follow the same accounting standard and same financial year to prepare their financial statements.

Please refer N9. for setoff of tax losses when there is change in tax group structure.

J. CALCULATION OF CORPORATE TAX PAYABLE

J1. Currency (Article:43)

All amounts must be quantified in the United Arab Emirates Dirham. Any amount quantified in another currency must be converted at the applicable exchange rate set by the Central Bank of the United Arab Emirates, subject to any conditions that may be prescribed in a decision issued by the Authority.

J2. Calculation and Settlement of Corporate Tax (Article:44)

The Corporate Tax due is settled in the following order:

1. First, by using the Taxable Person's available Withholding Tax Credit

2. To the extent there is a residual amount after Withholding Tax, by using the Taxable Person's available Foreign Tax Credit

3. To the extent there is a residual amount after Foreign Tax Credit by using any credits or other forms of relief as specified in a decision issued by the Cabinet

4. To the extent there is a residual amount Clause 3 above, this amount of Corporate Tax Payable must be settled as per the time limit prescribed.

J3. Withholding Tax (Article:45)

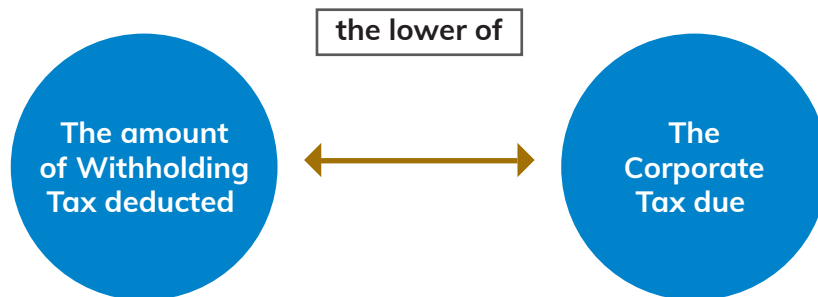
The following income shall be subject to Withholding Tax at the rate of 0% (zero percent) or any other rate as specified in a decision issued by the Cabinet at the suggestion of the Minister:

- a)** The categories of State Sourced Income derived by a Non-Resident Person as prescribed in the decision issued by the Cabinet pursuant to this Article, insofar such income is not attributable to a Permanent Establishment of the Non-Resident Person in the State.
- b)** Any other income as specified in a decision issued by the Cabinet

The Withholding Tax payable shall be deducted from the gross amount of the payment and remitted to the Authority in the form and manner and within the timeline prescribed by the Authority.

J4. Withholding Tax Credit (Article:46)

- 1) If a Person becomes a Taxable Person in a Tax Period, the Person's Corporate Tax due can be reduced by the amount of Withholding Tax Credit for that Tax Period.
- 2) The maximum Withholding Tax Credit is:



- 3) Any excess Withholding Tax Credit for a Tax Period shall be refunded to the Taxable Person in accordance with Refund provision of the Law (Ref: L2).

J5. Foreign Tax Credit (Article:47)

- 1) Corporate Tax due can be reduced by the amount of Foreign Tax Credit for the relevant Tax Period.
- 2) The Foreign Tax Credit cannot exceed the amount of Corporate Tax due on the relevant income.
- 3) Any unutilised Foreign Tax Credit cannot be carried forward or carried back.
- 4) A Taxable Person shall maintain all necessary records for the purposes of claiming a Foreign Tax Credit.

K. TAX RETURN AND DOCUMENTS TO BE SUBMITTED TO AUTHORITY

K1. Tax Returns Time period (Article:53)

- 1) A Taxable Person must file a Tax Return, as applicable, to the Authority in the form and manner prescribed by the Authority no later than **9 months from the end of the relevant Tax Period**, or by such other date as directed by the Authority.

K2. Information to submit in Tax Return (Article:53)

- 1) The Tax Return shall include at least the following information, as applicable:



- 2) A Taxable Person shall provide the Authority with any such information, documents or records as shall be reasonably required by the Authority for the purposes of implementing the provisions of Law.
- 3) As an exception to the provisions of this Article and any other relevant provision of this Decree-Law, the Minister may prescribe the form and manner in which a Tax Return and other information is to be filed with the Authority by a Taxable Person where the disclosure of information may impede national security or may be contrary to the public interest.

K3. General (Article:53)

- 1) The Authority may request a certain exempt persons such as specifically public benefit entity, investment fund, public pension or social security fund, person wholly controlled by an exempt person, other persons who will be listed) to submit a declaration.

- 2) The Authority may, by notice or through a decision issued by the Authority, request the authorised partner in an Unincorporated Partnership that has not had an application approved to be treated as a Taxable Person, to file a declaration on behalf of all the partners in the Unincorporated Partnership.
- 3) The Parent Company must file a Tax Return to the Authority on behalf of the Tax Group.

K4. Submission of Financial statement (Article:54)

- 1) The Authority may, by notice or through a decision issued by the Authority, request a Taxable Person to submit the financial statements used to determine the Taxable Income for a Tax Period in the form and manner and within the timeline prescribed by the Authority.
- 2) The Authority may request a partner in an Unincorporated Partnership to provide financial statements showing all of the following:
 - a) The total assets, liabilities, income and expenditure of the Unincorporated Partnership.
 - b) The partner's distributive share in the Unincorporated Partnership's assets, liabilities, income and expenditure.

K5. Audited Financial statement (Article:54)

The Minister may issue a decision requiring categories of Taxable Persons to prepare and maintain audited or certified financial statements.

K6. Transfer Pricing Documentation Disclosure and documents (Article:55)

- 1) The Authority may, by notice or through a decision issued by the Authority, require a Taxable Person to file together with their Tax Return a disclosure containing information regarding the Taxable Person's transactions and arrangements with its Related Parties and Connected Persons in the form prescribed by the Authority.
- 2) If a Taxable Person's transactions with its Related Parties and Connected Persons for a Tax Period meet the conditions prescribed by the Minister, the Taxable Person must maintain both a master file and a local file in the form prescribed by the Authority.

K7. Time limit for submission of Transfer pricing documents (Article:55)

- 1) The **master file and the local** file must be submitted to the Authority within 30 days following a request by the Authority, or by any such other later date as directed by the Authority.
- 2) Upon request by the Authority, a Taxable Person shall provide the Authority with **any information to support the arm's length** nature of the Taxable Person's transactions or arrangements with its Related Parties and Connected Persons, within 30 days following the request by the Authority, or by any such other later date as directed by the Authority.

L. TAX PAYMENT AND REFUND

L1. Corporate Tax Payment (Article:48)

A Taxable Person must settle the Corporate Tax Payable within **9 months from the end of the relevant Tax Period**, or by such other date as determined by the Authority.

L2. Corporate Tax Refund (Article:49)

- 1)** A Taxable Person may make an application to the Authority for a Corporate Tax refund in accordance with the provisions of the Tax Procedures Law in the following circumstances:
 - a)** The Withholding Tax Credit available to a Taxable Person exceeds the Taxable Person's Corporate Tax Payable.
 - b)** Where the Authority is otherwise satisfied that the Taxable Person has paid Corporate Tax in excess of the Taxable Person's Corporate Tax Payable.
- 2)** The Authority shall issue the Taxable Person a notice of the Authority's decision on an application for refund in accordance with the Tax Procedures Law.

M. TAX REGISTRATION AND DE-REGISTRATION

M1. Tax Registration (Article:51)

- 1) Any Taxable Person shall register for Corporate Tax with the Authority in the form and manner and within the timeline prescribed by the Authority and obtain a Tax Registration Number, except in circumstances prescribed by the Minister.
- 2) The Authority shall, at its discretion and based on information available to the Authority, have the ability to register a Person for Corporate Tax effective from the date the Person became a Taxable Person.

M2. Exemption from Tax registration (Article:51)

For the purposes of an exemption from Corporate Tax under this Decree-Law or for purposes Unincorporated Partnership being treated as a taxable person, the Authority may require the relevant Person (exempt persons as per Article 4) or the Unincorporated Partnership, as applicable, to register for Corporate Tax and obtain a Tax Registration Number.

M3. Tax Deregistration Requirements for de-registration (Article:52)

- 1) A Person with a Tax Registration Number shall file a Tax Deregistration application with the Authority where there is a cessation of its Business or Business Activity, whether by dissolution, liquidation, or otherwise, in the form and manner and within the timeline prescribed by the Authority.
- 2) A Taxable Person shall not be deregistered unless it has paid all Corporate Tax and Administrative Penalties due and filed all Tax Returns due under this Decree-Law, including its Tax Return for the Tax Period up to and including the date of cessation.
- 3) Where a Person does not comply with the Tax Deregistration requirements under this Article, the Authority may, at its discretion and based on information available to the Authority, deregister the Taxable Person effective from the later of either:
 - a) the last day of the Tax Period in which it became apparent to the Authority that it has paid all Corporate Tax and Administrative Penalties have been paid and all Tax Returns have been filed; or
 - b) the date the Taxable Person ceases to exist.

M4. Effect of de-registration (Article:52)

If the Tax Deregistration application is approved, the Authority shall deregister the Person for Corporate Tax purposes with effect from the date of cessation or from such other date as may be determined by the Authority.

N. TAX GROUP

N1. Requirements for forming a tax group (Article:40)

- 1) A Resident person who is a Parent Company, can make an application to the Authority to form a Tax Group with one or more other Resident persons who are its Subsidiaries, **where all of the following conditions are met:**

a.	The Resident Persons are juridical persons (No individual establishment can be part of a tax group)	
b.	The Parent Company owns at least 95% of the share capital of the Subsidiary	either directly or indirectly through one or more Subsidiaries.
c.	The Parent Company holds at least 95% of the voting rights in the Subsidiary	
d.	The Parent Company is entitled to at least 95% of the Subsidiary's profits and net assets	
e.	Neither the Parent Company nor the Subsidiary is an Exempt Person.	
f.	Neither the Parent Company nor the Subsidiary is a Qualifying Free Zone Person.	
g.	The Parent Company and the Subsidiary have the same Financial Year.	
h.	Both the Parent Company and the Subsidiary prepare their financial statements using the same accounting standards.	

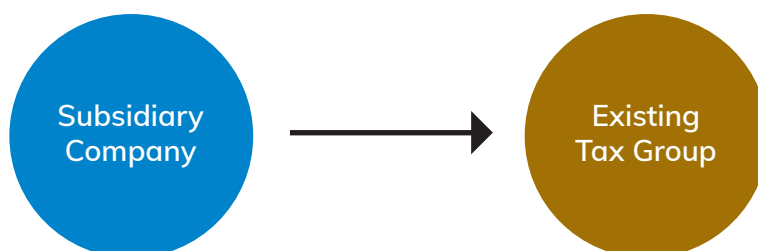
- 2) Even if the Parent Company or a Subsidiary is an exempt person can form a tax group provided one or more Subsidiaries in which a Government Entity directly or indirectly owns at least a 95% ownership interest as specified in (b), (c) and (d) subject to the conditions to be prescribed by the Authority.

N2. Application to Authority (Article:40)

- 1) An application to form a Tax group shall be made to the Authority by the Parent Company and each Subsidiary seeking to become members of the Tax Group.



- 2) A Subsidiary can join an existing Tax Group following submission of an application to the Authority by the Parent Company and the relevant Subsidiary.



[Application by parent company + new subsidiary]

N3. Liability of Tax Group (Article:40)

- 1) A Tax Group formed shall be treated as a single Taxable Person represented by the Parent Company.
- 2) The Parent Company and each Subsidiary shall be jointly and severally liable for Corporate Tax Payable by the Tax Group for those Tax Periods when they are members of the Tax Group
- 3) The joint and several liability for a Tax Period can be limited to one or more members of the Tax Group following approval by the Authority.
- 4) The Parent Company and each Subsidiary shall remain responsible for complying with the provisions of Withholding tax.

N4. Leaving the Tax Group (Article:40)

A Subsidiary shall leave the Tax Group in the following circumstances:

- a) Upon approval by the Authority of an application by the Parent Company and the relevant Subsidiary.
- b) Where the relevant Subsidiary no longer meets the conditions to be a member of the Tax Group as specified in N1.

N5. Replacing the Parent Company (Article:40)

The Parent Company of a Tax Group can make an application to the Authority to be replaced by another Parent Company without a discontinuation of the Tax Group, in any of the following circumstances.

- a) The new Parent Company meets the conditions specified in N1.
- b) The former Parent Company ceases to exist and the new Parent Company or a Subsidiary is its universal legal successor.

N6. Dissolution (Article:40)

The Authority may, at its discretion, dissolve a Tax Group or change the Parent Company of a Tax Group based on information available to the Authority, and notify the Parent Company of such action taken

N7. Date of Formation and Cessation of a Tax Group (Article:41)

- 1) A Tax Group shall be formed, or a new Subsidiary shall join an existing Tax Group:

> from the beginning of the Tax Period specified in the application submitted to the Authority, or

> from the beginning of any other Tax Period determined by the Authority.

2) The relevant member of a Tax Group shall be treated as leaving that Tax Group:

> from the beginning of the Tax Period specified in the application submitted to the Authority, or

> from the beginning of any other Tax Period determined by the Authority or

> from the beginning of the Tax Period in which the conditions specified are no longer met.

N8. Computation of income taxable under Tax Group (Article:42)

1) For the purposes of determining the Taxable Income of a Tax Group, the Parent Company shall consolidate the

- ▶ financial results,
- ▶ assets and liabilities

of each Subsidiary for the relevant Tax Period, **eliminating transactions** between the Parent Company and each Subsidiary that is a member of the Tax Group.

- 2) Consolidation of financial results, assets and liabilities shall not apply where an asset or liability has been transferred between members of the Tax Group and either the transferor or transferee leaves the Tax Group within 2 years from the date of the transfer, unless the associated income would have been exempt from Corporate Tax or not taken into account under any other provisions of Law.
- 3) Any income that was not taken into account as above shall be taken into account on the date the transferor or transferee leaves the Tax Group, and shall result in a corresponding adjustment of the cost base for Corporate Tax purposes of the relevant asset or liability.
- 4) The Tax Group must prepare **consolidated financial statements** in accordance with accounting standards applied in the State.

N9. Set-off of Tax loss in a tax group (Article:42)

- 1) Pre grouping tax losses of a subsidiary that joins a Tax Group shall become carried forward Tax Losses of the Tax Group and can be used to offset the Taxable Income of the Tax Group insofar this income is attributable to the relevant Subsidiary subject to conditions of I1 & I2.
- 2) Where a new Subsidiary joins an existing Tax Group, unutilised Tax Losses of the existing Tax Group cannot be used to offset the Taxable Income of the Tax Group insofar this income is attributable to the new Subsidiary subject to conditions of I1 & I2.

- 3) Where a Subsidiary leaves a Tax Group, Tax Losses of the Tax Group shall remain with the Tax Group, with the exception of any unutilised pre-Grouping Tax Losses of the relevant Subsidiary.
- 4) On cessation of a Tax Group, unutilised Tax Losses of the Tax Group shall be allocated as follows:
 - a) Where the Parent Company continues to be a Taxable Person, all Tax Losses shall remain with the Parent Company.
 - b) Where the Parent Company ceases to be a Taxable Person, Tax Losses of the Tax Group shall not be available for offset against future Taxable Income of individual Subsidiaries, with the exception of any unutilised pre-Grouping Tax Losses of such Subsidiaries. (This shall not apply where there is a continuation of the Tax Group where the Parent Company has been replaced)

O. TRANSACTIONS WITH RELATED PARTIES AND CONNECTED PERSONS

O1. Arm's Length Principle (Article:34)

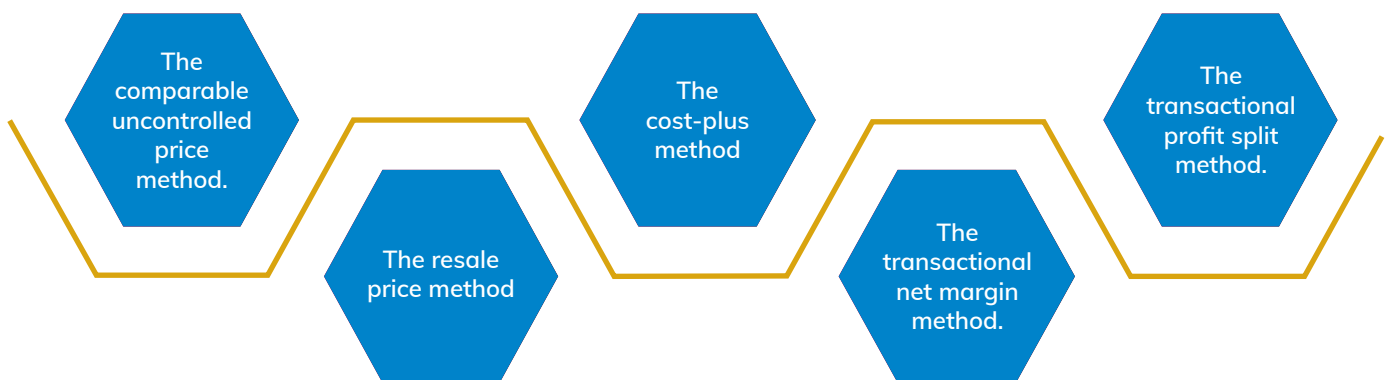
In determining Taxable Income, transactions and arrangements between Related Parties must meet the arm's length standard as specified below and any conditions that may be prescribed in a decision issued by the Authority.

O2. Requirement (Article:34)

A transaction or arrangement between Related Parties meets the arm's length standard if the results of the transaction or arrangement are consistent with the results that would have been realised if Persons who were not Related Parties had engaged in a similar transaction or arrangement under similar circumstances.

O3. Transfer pricing methods (Article:34)

The arm's length result of a transaction or arrangement between Related Parties must be determined by applying one or a combination of the following transfer pricing methods:



The Taxable Person may apply any transfer pricing method other than the methods listed above where the Taxable Person can demonstrate that none of the above methods can be reasonably applied to determine an arm's length result and that any such other transfer pricing method used satisfies the condition specified.

O4. Factors for selection of Transfer pricing method (Article:34)

The choice and application of a transfer pricing method or combination of transfer pricing methods must be made having regard to the most reliable transfer pricing method and taking into account following factors:

The contractual terms of the transaction or arrangement

The characteristics of the transaction or arrangement.

The economic circumstances in which the transaction or arrangement is conducted.

The functions performed, assets employed, and risks assumed by the Related Parties entering into the transaction or arrangement.

The business strategies employed by the Related Parties entering into the transaction or arrangement.

05. Authority's examination (Article:34)

The Authority's examination as to whether income and expenditures resulting from the Taxable Person's relevant transactions or arrangements meet the arm's length standard shall be based on the transfer pricing method used by the Taxable Person, provided such transfer pricing method is appropriate having regard to the factors mentioned above

06. Application of Transfer pricing methods (Article:34)

Application of the selected transfer pricing method or combination of transfer pricing methods may result in an arm's length range of financial results or indicators acceptable for establishing the arm's length result of a transaction or arrangement between Related Parties, subject to any conditions specified in a decision issued by the Authority.

07. Authority's actions (Article:34)

- 1) Where the result of the transaction or arrangement between Related Parties does not fall within the arm's length range, the Authority shall adjust the Taxable Income to achieve the arm's length result that best reflects the facts and circumstances of the transaction or arrangement.
- 2) Where the Authority makes an adjustment to the Taxable Income, the Authority shall rely on information that can or will be made available to the Taxable Person.
- 3) Where the Authority or a Taxable Person adjusts the Taxable Income for a transaction or arrangement to meet the arm's length standard, the Authority shall make a corresponding adjustment to the Taxable Income of the Related Party that is party to the relevant transaction or arrangement
- 4) Where a foreign competent authority makes an adjustment to a transaction or arrangement involving a Taxable Person to meet the arm's length standard, such Taxable Person can make an application to the Authority to make a corresponding adjustment to its Taxable Income.

O8. Related Parties and Control Meaning of Related Parties (Article:35)

1) “Related Parties” means any of the following:

a.	Two or more natural persons who are related within the fourth degree of kinship or affiliation, including by way of adoption or guardianship
b.	A natural person and a juridical person where: <ol style="list-style-type: none"> 1. the natural person or one or more Related Parties of the natural person are shareholders in the juridical person, and the natural person, alone or together with its Related Parties, directly or indirectly owns a 50% or greater ownership interest in the juridical person; or 2. the natural person, alone or together with its Related Parties, directly or indirectly Controls the juridical person.
c.	Two or more juridical persons where: <ol style="list-style-type: none"> 1. one juridical person, alone or together with its Related Parties, directly or indirectly owns a 50% or greater ownership interest in the other juridical person; 2. one juridical person, alone or together with its Related Parties, directly or indirectly Controls the other juridical person; or 3. any Person, alone or together with its Related Parties, directly or indirectly owns a 50% or greater ownership interest in or Controls such two or more juridical persons.
d.	A Person and its Permanent Establishment or Foreign Permanent Establishment.
e.	Two or more Persons that are partners in the same Unincorporated Partnership.
f.	A Person who is the trustee, founder, settlor or beneficiary of a trust or foundation, and its Related Parties.

O9. Meaning of Control (Article:35)

2) For the purposes of this Decree-Law, **“Control”** means the ability of a Person, whether in their own right or by agreement or otherwise to influence another Person, including:

a.	The ability to exercise 50% or more of the voting rights of another Person
b.	The ability to determine the composition of 50% or more of the Board of directors of another Person
c.	The ability to receive 50% or more of the profits of another Person
d.	The ability to determine, or exercise significant influence over, the conduct of the Business and affairs of another Person.

O10. Meaning of Connected Person (Article:36)

- 1) A Person shall be considered a Connected Person of a Taxable Person if that Person is:
 - a) An owner of the Taxable Person.
 - b) A director or officer of the Taxable Person.
 - c) A Related Party of (a) and (b)
- 2) An owner of the Taxable Person is any natural person who directly or indirectly owns an ownership interest in the Taxable Person or Controls such Taxable Person.
- 3) Where the Taxable Person is a partner in an Unincorporated Partnership, a Connected Person is any other partner in that same Unincorporated Partnership, and any Person that is a Related Party of that partner.

O11. Payments to Connected Persons (Article:36)

A payment or benefit provided by a Taxable Person to its Connected Person shall be deductible only if and to the extent the payment or benefit corresponds with the Market Value of the service, benefit or otherwise provided by the Connected Person and is incurred wholly and exclusively for the purposes of the Taxable Person's Business.

O12. Application of transfer pricing for transactions with connected persons (Article:36)

To determine that a payment or benefit provided by the Taxable Person corresponds with the Market Value of the service or otherwise provided by the Connected Person in exchange, relevant provisions from O1 to O7 shall apply (Transfer pricing methods).

O13. Exceptions (Article:36)

O10 shall not apply to any of the following:

- a) A Taxable Person whose shares are traded on a Recognised Stock Exchange.
- b) A Taxable Person that is subject to the regulatory oversight of a competent authority in the State.
- c) Any other Person as may be determined in a decision issued by the Cabinet at the suggestion of the Minister.

P. TAX PERIOD AND RECORD KEEPING

P1. Record Keeping of Taxable Person (Article:56)

Notwithstanding the provisions of the Tax Procedures Law, a Taxable Person shall maintain all records and documents for a period of **7 years** following the end of the Tax Period to which they relate that:

- a) Support the information to be provided in a Tax Return or in any other document to be filed with the Authority.
- b) Enable the Taxable Person's Taxable Income to be readily ascertained by the Authority.

An Exempt Person shall maintain all records that enable the Exempt Person's status to be readily ascertained by the Authority for a period of 7 years following the end of the Tax Period to which they relate.

P2. Record Keeping of Exempt Person (Article:56)

An Exempt Person shall maintain all records that enable the Exempt Person's status to be readily ascertained by the Authority for a period of **7 years** following the end of the Tax Period to which they relate.

P3. Tax Period (Article:57)

- 1) A Taxable Person's Tax Period is the Financial Year or part thereof for which a Tax Return is required to be filed.
- 2) The Financial Year of a Taxable Person shall be the Gregorian calendar year, or the 12 month period for which the Taxable Person prepares financial statements.

P4. Change of Tax Period (Article:58)

A Taxable Person can make an application to the Authority to change the start and end date of its Tax Period, or use a different Tax Period, subject to conditions to be set by the Authority.

P5. Clarifications (Article:59)

- 1) A Person may make an application to the Authority for a clarification regarding:
 - a) the application of this Decree-Law or
 - b) the conclusion of an advance pricing agreement with respect to a transaction or
 - c) an arrangement proposed or entered into by the Person.
- 2) The application shall be made in the form and manner prescribed by the Authority.

Q. ASSESSMENT, ANTI-ABUSE RULE AND CORPORATE TAX ADVANTAGE

Q1. General Anti-Abuse Rule (Article:50)

General Anti-Abuse rules applies to a transaction or an arrangement if, having regard to all relevant circumstances, it can be reasonably concluded that.

- the entering into or carrying out of the transaction or arrangement, or any part of it, is not for a valid commercial or other non-fiscal reason which reflects economic reality; and
- the main purpose or one of the main purposes of the transaction or arrangement, or any part of it, is to obtain a Corporate Tax advantage that is not consistent with the intention or purpose of the Corporate Tax law

Q2. Corporate tax advantage as per General Anti-Abuse Rule (Article:50)

A Corporate Tax advantage includes, but is not limited to the following:

- A refund or an increased refund of Corporate Tax.
- Avoidance or reduction of Corporate Tax Payable.
- Deferral of a payment of Corporate Tax or advancement of a refund of Corporate Tax.
- Avoidance of an obligation to deduct or account for Corporate Tax.

Q3. Corporate Tax Advantage determination (Article:50)

For the purpose of determining whether Corporate Tax Advantage applies to a transaction or arrangement, the following must be considered by the Authority:

- The manner in which the transaction or arrangement was entered into or carried out.
- The form and substance of the transaction or arrangement.
- The timing of the transaction or arrangement.
- The result of the transaction or arrangement in relation to the application of this Decree-Law.
- Any change in the financial position of the Taxable Person that has resulted, will result, or may reasonably be expected to result, from the transaction or arrangement.

Q4. Assessment by the Federal Tax Authority on General Anti-Abuse Rule (Article:50)

Where corporate tax advantage applies to a transaction or arrangement, the Authority may make a determination that one or more specified Corporate Tax advantages obtained as a result of the transaction or arrangement are to be counteracted or adjusted.

If a determination is made, the Authority must issue an assessment giving effect to the determination, which may include:

- allowing or disallowing any exemption, deduction or relief in calculating the Taxable Income or the Corporate Tax Payable, or any part thereof;
- allocating any such exemption, deduction or relief, or any part thereof, to any other Persons;
- recharacterizing for the purposes of this Decree-Law the nature of any payment or other amount, or any part thereof; or
- disregarding the effect that would otherwise result from the application of other provisions of this Decree-Law.

R. ASSESSMENT, PENALTIES AND ADMINISTRATIVE POLICIES

R1. Assessment of Corporate Tax (Article:60)

- 1) A Person may be subject to a Corporate Tax assessment in accordance with the Tax Procedures Law and the decisions issued in the implementation of its provisions.
- 2) The Federal Tax Authority may prescribe the circumstances and conditions under which a Corporate Tax assessment may be requested by a Taxable Person or issued by the Authority.

R2. Penalties (Article:60)

The Tax Procedures Law which will be released by the Ministry of Finance shall determine the relevant penalties and fines relevant to Corporate Tax.

R3. Administrative policies and procedures (Article:63)

The administrative policies, procedures and general instructions in relation to the requirements imposed on a Person under Corporate Tax law shall be issued by the Federal Tax Authority in coordination with the Ministry of Finance.

S. INTERNATIONAL AGREEMENT (DTAA)

International Agreement (Article:66)

To the extent the terms of an international agreement that is in force in the UAE are inconsistent with the provisions of Corporate Tax Law, the terms of the international agreement shall prevail.

T. TRANSITIONAL RULES

Transitional rules (Article:61)

- The opening balance-sheet for Corporate Tax purposes shall be the closing balance sheet prepared for financial reporting purposes under applicable accounting standards on last day of the financial year that immediately ends before their first tax period commences
- The opening balance-sheet shall be prepared taking into consideration the Arm's length principle for specified transactions
- The opening balance-sheet shall be prepared taking into consideration the anti-abuse rules, and avoidance of corporate tax advantage
- Further suggestions on the opening balance-sheet shall be prescribed by the cabinet at the suggestion of the Minister of Finance.

Disclaimer: This document is derived from Federal Decree law No. 47 of 2022 ('Corporate Tax Law') and does not constitute a referable legal document. Readers are requested to refer the actual Corporate Tax Law issued by the Ministry of Finance for all interpretations and tax planning.



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