



# CORPORATE TAX IN UAE

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## Frequently asked questions UAE CORPORATE TAX

# Frequently Asked Questions UAE CT

In the UAE where corporate tax rate is lowest in the world, It gives businesses & entrepreneurs an environment to achieve their next phase of growth.

## What is UAE CT?

Corporate Tax is a form of direct tax levied on the net income or profit of corporations and other businesses.

## What are the corporate rates tax?

- 0% for taxable income up to AED 375,000;
- 9% for taxable income above AED 375,000; and
- 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

## Who will be subject to UAE Corporate Tax?

UAE CT will apply to all UAE businesses and commercial activities alike, except for the extraction of natural resources, which will remain subject to Emirate level corporate taxation.



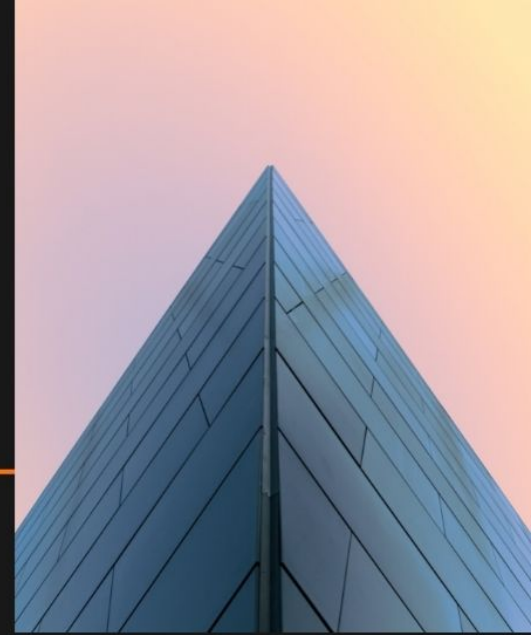
## How do you determine whether a legal entity has a “business” that will be within the scope of UAE CT?

All activities undertaken by a legal entity will be deemed “business activities” and hence be within the scope of UAE CT.

## What is meant by “large” multinationals?

A multinational corporation is a corporation that operates in its home country, as well as in other countries through a foreign subsidiary, branch or other form of presence / registration. Merely earning income from outside its home country without a foreign presence or registration would not make a business a multinational corporation.

In the context of the global minimum effective tax rate as proposed under ‘Pillar Two’ of the OECD Base Erosion and Profit Shifting project, “large” refers to a multinational corporation that has consolidated global revenues in excess of EUR 750m (c. AED 3.15 bn).





## **Are individuals who has a commercial license subject to corporate tax?**

Business income earned under a commercial license will be within the scope of UAE CT.

This would generally be done by reference to the individual having (or being required to obtain) a business license or permit to carry out the relevant commercial, industrial and/or professional activity in the UAE.

## **Will the income earned by a freelance professional be subject to UAE CT?**

UAE CT will generally apply to income earned from activities carried out under a freelance license / permit, albeit no CT will be payable unless the annual net income of the freelance professional exceeds AED 375,000.

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## **Will income earned by an individual from bank deposits be subject to UAE CT?**

Interest and other income earned by an individual from bank deposits or saving schemes will not be subject to UAE CT.





# Who are exempt from UAE Corporate Tax?

Businesses engaged in the extraction of natural resources will remain subject to Emirate level corporate taxation and be outside the scope of UAE CT.

Information on other UAE CT exemptions and exclusions will be provided in due course.





## Are Free zone companies subject to UAE CT?

Free zone businesses will be subject to UAE CT, but the UAE CT regime will continue to honour the CT incentives currently being offered to free zone businesses that comply with all regulatory requirements and that do not conduct business with mainland UAE.

A business established in a free zone will be required to register and file a CT return.

Further details on the compliance obligations of free zone businesses will be provided in due course.

The UAE CT treatment that will apply to businesses in free zones will be the same across all free zones.



## Will a group of UAE companies be able to form a “fiscal unity” for UAE CT purposes?

A UAE group of companies can elect to form a tax group and be treated as a single taxable person, provided certain conditions are met.

A UAE tax group will only be required to file a single tax return for the entire group.

## What are transfer pricing rules?

- Transfer pricing rules seek to ensure that transactions between related parties are carried out on arm's length terms (i.e. as if the transaction was carried out between independent parties).
- UAE businesses will need to comply with transfer pricing rules and documentation requirements set with reference to the OECD Transfer Pricing Guidelines.



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