



## Longstanding Relationship between Japan & UAE



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H.H. Sheikh Abdullah bin Zayed Al Nahyan, Minister of Foreign Affairs and International Cooperation  
meets Yoshimasa Hayashi, Foreign Minister of Japan in Abu Dhabi -  
DISCUSSION ON STRATEGIC RELATIONS & LATEST INTERNATIONAL DEVELOPMENTS



### Guest Article

**HIS EXCELLENCY  
NOBORU SEKIGUCHI**

Consul-General of Japan in Dubai

### Tax Journey Continues:

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**Kreston Middle East  
Showcase 2022**

## EDITOR'S NOTE



**CA. RAJU MENON**

Greetings from Kreston Menon!

The Arab World's first World Expo held in the Middle East, Africa and South Asia (MEASA) region closed its curtain on March 31, 2022. After six months since opening the \$7 billion city in the desert, Dubai's Expo 2020 concluded with an extravagant ceremony punctuated with spectacular fireworks display and concerts by global music icons. As the first host in the Arab world, UAE showcased the very essence of Arab hospitality by dedicating every participating nation a pavilion with masterful design planning.

It is estimated that almost 23 million visitors flocked to Expo's 190 country pavilions for 182 days which in turn played a key role in enhancing the region's strategic sectors such as hospitality, tourism and real estate. Expo 2020 contributed AED 122.6bn of gross value added, along with 905,200 job-years to the UAE's economy up to 2031, according to economic impact studies. While uncertainty is the investor's worst enemy, UAE has taken various measures to advance a financial ecosystem that maintains a competitive edge in a progressively globalized investment and business environment.

2022 marks the 50th anniversary of UAE – Japan diplomatic relations. In this edition's guest article, H.E. Noboru Sekiguchi, Consul-General of Japan in Dubai, elaborates on the longstanding relationship on trade, commerce and FDI contributions and sheds light on the future visions of both countries.

I warmly congratulate the UAE authorities for their continuous enhancement of the country's economic standing and their tireless efforts to play a decisive and contributive role in the global future with innovation, technology, health, creativity and human connections at its heart, to entice entrepreneurship and investment. The success of Expo 2020 is just a start in initiating a more resilient, diversified, sustainable and knowledge-driven economy.



HE Dr. Thani bin Ahmed Al Zeyoudi, UAE Minister of State for Foreign Trade and HE Abdulla Al Saleh, Under Secretary of UAE Ministry of Economy expressed confidence that Kreston Menon's 'Doing Business in Dubai - 2022' will be an effective investor tool to promote large scale investments to the UAE. The book was handed over by Kreston Menon leaders Raju Menon – Chairman and Managing Partner, Khalid Al Shams – Senior Partner & Group CEO and Sudhir Kumar – Senior Partner & Head - Corporate Communications at the UAE Ministry of Economy office.





## Federal Decree No. 32 of 2021 on Commercial Companies



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The United Arab Emirates government published the Federal Decree No. 32 of 2021 concerning Commercial Companies Law (CCL 2021) which came into force on 2nd January 2022, on which date the Federal Decree Law No. 2 of 2015 and its amendments (CCL 2020) were repealed.

### Prominent provisions and amendments to the Law:

#### Public Joint Stock Companies (PJSC)

- (a) Allows the establishment of companies for the purposes of acquisition or merger, and SPVs, and establishes a legal framework for these new legal forms and excludes them from some provisions of the Companies Law through a decision issued by the SCA to regulate the work of these forms of companies.
- (b) Abolishes the maximum and minimum percentage of the founders' contribution to the company's capital at the time of the public offering as well as cancels the legal limitation of the subscription period and leaving the two matters to what is specified in the prospectus.
- (c) Eliminates the requirement for the nationality of the members of the board of directors and upholds the organization shareholders' decisions in the election of board members, in accordance with the terms and conditions set by the competent authority.
- (d) Allows companies to transform into a Public Joint Stock Company and sell its shares or offer new shares in a public subscription without being restricted to a certain percentage by following the price-building mechanism of the security.
- (e) Allows companies to divide and create legal rules governing division operations, thus contributing to diversifying the company's activities and fields of work and increasing its projects and growth opportunities.
- (f) Allows companies to determine the face value and to determine the percentage of the offering. The CCL 2021 allows shareholders to determine the nominal value of shares as specified in accordance with the PJSC' Articles of Association thus removing the range of AED 1 to AED 100 prescribed by the CCL 2020.

- (g) Finds financing solutions for companies through the issuance of other types of shares.
- (h) Allow companies to issue discounted shares in case the market value of a company's share price falls below the nominal value subject to (a) passing a special resolution; and (b) obtaining the approval of the Securities & Commodities Authority (SCA). However, the result of issuance of shares at a discount will cause a negative reserve, which must be settled from its future profits before any profit can be distributed amongst the shareholders.

#### Limited Liability Companies (LLC)

- (a) **Expiration of the Board of Managers' term**  
If the term of the Board of Managers expires, and a new Board of Managers is not appointed, then the existing board will continue to manage the LLC for a period of 6 months. At the end of this term a new board must be appointed by the LLC, and if not appointed, the Department of Economic Development (DED) can appoint a board whose term will not exceed one year, during which, the LLC must appoint a new Board of Managers. Therefore, the appointment of the Board of Managers by the DED is a stopgap arrangement that will be regularised if the LLC fails to appoint the board itself.
- (b) **Appointment of the Supervisory Board**  
CCL 2020 obligated LLCs to appoint a Supervisory Board when the company consists of more than 7 shareholders. CCL 2021 has increased the number of required shareholders to 15. The Supervisory Board is appointed from at least three shareholders to supervise the company's annual reports, budgets, distribution of profits and to also supervise the LLCs' managers and submit a report in this regard to the General Assembly.
- (c) **Decrease in Legal Reserve**  
CCL 2021 has decreased the extent of allocating a legal reserve from 10% to 5%, and as prescribed by the CCL 2020, the CCL 2021 emphasized that shareholders can stop this allocation if the legal reserve reaches 50% of the share capital.

#### Foreign Company Branches

Allows branches of foreign companies licensed in the country to transform into a commercial company with UAE citizenship.

# Gearing up for UAE Corporate Tax

## Tax Journey Continues



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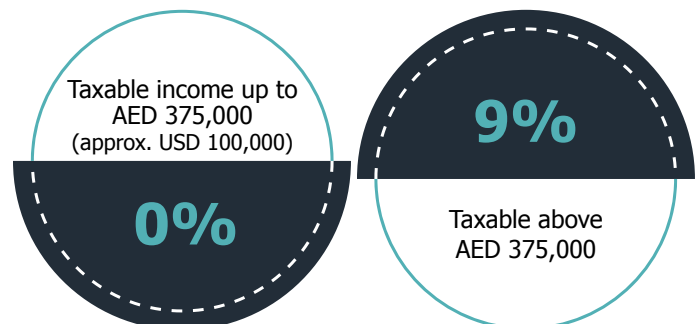
### Scope

UAE CT is a federal tax and consequently, will apply to all businesses and commercial activities in the UAE except for extraction of natural resources which will continue to be taxed at the Emirate level.

Likewise, the UAE CT regime will apply to individuals to the extent that they hold (or are legally required to hold) a business license or permit to carry out commercial, industrial and/or professional activities in UAE. This includes income earned by freelance professionals for activities carried out under a freelance license or permit.

### Rates and Computation

Adopting a slab rate system, the headline UAE CT rate has been fixed at 9% to be calculated on taxable income as below:



An increased UAE CT rate would be applicable for large multinationals that meet specific criteria set with reference to pillar two of the OECD BEPS 2.0.

Taxable income for a tax year is to be computed based on accounting net profit/income of a business reported in financial statements prepared in accordance with

The Ministry of Finance (MOF) has released high level details on the proposed UAE Corporate Tax (CT) regime in the form of a press release and Frequently Asked Questions (FAQs) published on web portal of tax authorities i.e. UAE MOF and the Federal Tax Authority (FTA). This is motivated by UAE's desire to integrate into the global business community and meeting international tax standards, while minimizing compliance burden for UAE businesses and shielding small businesses and start-ups.

His Excellency Younis Haji Al Khoori, Undersecretary of MOF, stated that "the certainty of a competitive and best in class Corporate Tax regime, together with the UAE's extensive double tax treaty network, will cement the UAE's position as a world-leading hub for business and investment".

The relevant legislation for the CT regime (UAE CT Law) is currently being finalized and is expected to be promulgated during 2022. Once released, the UAE CT Law will provide details and guidance on several critical aspects.

UAE businesses will be subject to UAE CT in a staggered manner from Financial Years (FYs) beginning on or after 1 June 2023. An entity having a FY beginning on 1 July 2023 and ending on 30 June 2024 will be subject to CIT from 1 July 2023. While, entities having a FY beginning on 1 January 2023 and ending on 31 December 2023, will be subject to UAE CT from 1 January 2024.

internationally acceptable accounting standards, after the prescribed adjustments.

With a 9% standard tax rate, UAE CT regime will remain one of the most competitive tax jurisdictions in the world.

### Exemptions from UAE CT

As per the issued FAQs, certain incomes have been kept outside the ambit of the UAE CT including:

- Foreign investors will not be subject to UAE CT if income is not earned from a regular trade/business in UAE;
- UAE CT will not apply on capital gains and dividends received by a UAE business from 'qualifying shareholdings'; and
- UAE CT will not be applicable to qualifying intragroup transactions and restructuring subject to certain conditions to be specified under the legislation.

It has also been announced that UAE CT will honour tax incentives committed to businesses located in Free Zones, to the extent that eligible entities comply with applicable regulatory requirements and do not conduct business in mainland UAE. Further, current business models for trade in goods and/or provision of services may need to be restructured once further guidance is released by MOF. Free Zone businesses will nevertheless have to comply with certain obligations under UAE CT regime, including the obligation to register and file a Corporate Tax return and claim exempt as applicable.

### Other key noteworthy aspects from the announcement

The UAE CT regime will allow a business to utilize tax losses incurred (from the date UAE CT is effective) to offset taxable income in subsequent tax years. Based on current guidance, it seems that eligibility for tax losses would be applied on a prospective basis i.e. from the first tax year onwards.

Further, a 'Fiscal Unity' concept would be implemented as part of UAE Corporate Income Tax (CIT) law i.e. eligible UAE group of companies may elect form a tax group and file a single (consolidated) tax return subject to conditions to be specified.

A tax withholding regime has not been included in proposed UAE CT law. In other words, there will be no withholding tax on domestic and cross border payments. This can be seen as a substantial relief to UAE business as introduction of a withholding tax regime increases compliance burden and other administrative complexities.

Foreign Tax Credit (FTC) will be allowed against UAE CT liability. This is in line with corporate tax regimes followed by most of the countries across the globe.

UAE businesses will need to comply with international Transfer Pricing (TP) rules and documentation requirements contained in OECD TP Guidelines (as amended in 2022) for

related party transactions. It would be interesting to see if domestic transfer pricing rules are introduced similar to other tax jurisdictions in the region.

### Accounting considerations

As per the FAQs, accounting profits/income of a business (which is the starting point of a taxable income computation) should be as per internationally acceptable accounting standards. Hence, it will be obligatory for all businesses under UAE CT regime to maintain accounting records as per International Financial Reporting Standards or prevalent GAAP in UAE. It would be interesting to see whether UAE CT law mandate annual financial statements to be audited in the absence of a mandatory requirement under commercial law for a large section of businesses in the UAE.



### Key takeaways and what business in UAE should do in the interim

The announcements and guidance released by UAE MOF has clarified key design features of UAE CT, however, several uncertainties remain awaiting clarity in UAE CT law and its implementing regulations. Whilst the announcement implicates that large multinational groups (MNEs) will be taxed at a higher rate, it remains to be seen how this will be implemented from a policy perspective (e.g., increase in tax rate or a domestic minimum tax/ parallel tax) which is yet to be announced.

Businesses operating in UAE should consider the following to get ready well in advance of the UAE CIT go-live date:

- Finance functions should begin preliminary assessment of existing business operations to identify broad areas which could pose challenges from UAE CT perspective
- Discuss the issues identified with relevant departments and plan an approach/ methodology to be adopted for implementing UAE CT
- Identifying possibility to restructure business operations and optimize the current business structure to minimize the impact of the proposed UAE CT and envisaged TP regulations
- Perform gap analysis to identify required system changes to meet financial information requirements for UAE CT compliance.■





# UAE & JAPAN

Diplomatic Relations

## Longstanding relationship between Japan and UAE



**H.E. Noboru Sekiguchi**  
Consul-General of Japan in Dubai

In this year of 2022, Japan and the United Arab Emirates are celebrating the 50th anniversary of the diplomatic relations which was established on 4th May 1972. The two nations have been fostering strong and friendly relationships for the past 50 years.

The trade relationship between Japan and the UAE have been traditionally highlighted by the cooperation in the energy field. However, in recent years both the governments have worked together on expanding the scope of cooperation in various fields such as education, renewable energy and space explorations. Let me point out the importance of the "Comprehensive Strategic Partnership Initiative (CSPI)" between our two countries, which is designed as a new cooperation framework based on the Joint Statement issued on the occasion of the visit by the then Prime Minister, Mr. Shinzo ABE to the UAE in 2018. The CSPI framework covers 12 fields of cooperation, not only traditional fields such as energy and business but also advanced technologies and women empowerment.

The bilateral cooperation has now flourished beyond the earth to the space. The UAE became the first Arab country to reach Mars in February last year with its Mars Mission named Hope Probe, and this made the people in the UAE and Japan excited. The HOPE was launched from the Tanegashima Space Center in Japan with an H2A rocket which was made in Japan by the Mitsubishi Heavy Industries, a renowned Japanese company. This

is one among many contributions by Japan to the UAE's space explorations, and the achievement gives us literally a "hope" for the future of our bilateral cooperation.

When we turn our eyes to the Expo, we can find interesting links between the two countries. The Emirate of Abu Dhabi participated in an Expo for its first time, even before the founding of the UAE, when the City of Osaka in Japan hosted the Expo in 1970. Half a century later, the UAE hosted the Expo 2020 Dubai, the very first Expo in the MENA region which saw the largest global gathering since the start of the pandemic, came to an end on March 31, 2022. Then, the baton of the Expo-host was handed over from Dubai to Expo 2025 Osaka, Kansai.

### Relations on Trade and Commerce

Let me give you an overview of the trade relations between Japan and the UAE. The total value of imports from Japan to the UAE was USD 7.1 billion and that of exports from the UAE to Japan was USD 26.2 billion in 2019, which was before the pandemic. While the total value of both imports from Japan and exports to Japan dropped to USD 5.5 billion and to USD 16.3 billion respectively in 2020, the UAE is still one of the ten biggest importing partners for Japan and maintains strong trade ties with Japan. Transportation equipments account for the majority of Japan's exports to the UAE. For Japanese industrial products, the UAE is an important destination because it has always been a re-exporting base to the markets abroad for these products. The importance of the UAE for Japan as a close trading partner would remain unchanged in the foreseeable future.

As for business and commerce relationships between our two nations, approximately 290 Japanese companies are currently operating in Dubai and the Northern

Emirates, which cover a wide range of industries including manufacturing, wholesale and retail and transportation services. Many Japanese enterprises have established their regional headquarters for business in the Middle East and Africa in Dubai, owing to business-friendly environment for foreign companies created and enhanced by the UAE over the past 30 to 40 years, which consists of the stable social and political situation, the well maintained public safety and security and excellent infrastructure such as electricity, water, telecommunications, medical care and educational system, to name a few.

Furthermore, there are many free zones with much less restrictions for foreign investors and English is widely spoken as a business language in the UAE. These are the factors that have contributed to the UAE ranking first in the MENA region and 16th in the world in the business environment ranking issued by the World Bank. However, I believe the most important reason is that Dubai has created a diverse and tolerant society where people from different cultures and backgrounds find it easy to reside. The expat business community finds it welcoming that they have access to non-halal food and alcoholic beverages at select places in the emirate.



In addition, Dubai has succeeded in mitigating socio-economic impact of the pandemic since the early 2020, by starting PCR tests widely in the emirate while strengthening its medical systems, by having resumed to accommodate travelers including tourists from abroad as early as July 2020 and by accelerating the vaccination process at the fastest pace possible. Then, the Expo 2020 Dubai opened doors to the world, adopting effective preventive measures against the COVID-19 in October 2021. The event which was forced to be postponed for a year due to the pandemic, came to the grand finale with a great success at the end of March 2022. This success proved that those preventive measures by Dubai were correct and appropriate.

The government of Dubai has been standing firm with its policy of managing society "with COVID-19" since the early stage of the pandemic. This policy has made it possible for Dubai to continue to be a valuable and attractive investment destination not only for Japan, but also for countries all over the world.

## Contribution to FDI from both sides

We, Japanese, welcome the trend of revamping the regulations on foreign investments in the UAE over the past few years. The abolishment of the required majority shareholding ratio of the UAE nationals in the foreign investments with the amendment to the Commercial Companies Law in September 2020 could be a tailwind policy for Japanese corporations who generally prefer 100% capital investments. Even the Japanese companies who have established their offices in the free zones see the new policy as a positive development in the UAE as it allows them to operate their businesses not only inside but also outside of the free zones.

It is noteworthy that each emirate is very proactive in attracting start-up companies from abroad. In this context, I could mention a few examples in Dubai - the Dubai Silicon Oasis, the Dubai Start-up Hub, and the Dubai International Financial Centre. Moreover, events such as GITEX and the Sharjah Entrepreneurship Festival are being held at various locations in the UAE to bring together the latest technologies and ideas from around the globe and Japanese start-ups are also turning their attention to the UAE.

Furthermore, I would like to point out that there is a growing business relationship between Japan and the UAE, not only at the national level but also at the local level, for example between Dubai and the Osaka Prefecture or the City of Osaka, the next host city of the Expo and the sister city of Dubai. Last December, the Osaka Chamber of Commerce and Industry co-hosted an online event with the Dubai Chamber of Commerce and Industry for business exchanges including a pitch session by enterprises located in Dubai and the other Middle Eastern countries who are keen to entering the Japanese market. Also, the Osaka Prefecture hosted a symposium in February 2022 connecting Japan and Dubai to encourage Japanese corporations to expand their operations into overseas as part of the commemoration events of the 50th anniversary of the diplomatic relations between Japan and the UAE.





## Future Vision

As aforementioned, this year marks the 50th anniversary of the establishment of the diplomatic relations between Japan and the UAE. I, as the Consul-General of Japan in Dubai and the Northern Emirates, would like to emphasize my efforts in the following areas to make our relationship more multilayered and multifaceted towards the 50 years to come.

First, let me take up the economic area. I would like to bring new Japanese companies, especially start-up companies to the UAE, in addition to supporting Japanese enterprises who have been already operating in the UAE. On one hand, I believe that there are many start-ups in Japan which could provide solutions to the needs of the governmental organizations as well as private companies in the UAE.

On the other hand, I strongly feel that efforts have to be taken to make Japanese start-ups aware of the attractiveness of the UAE as an operation base and the business opportunities which the UAE is offering to foreign entrepreneurs. I would, therefore, like to promote exchanges between companies including start-ups from both nations and contribute to further economic development of our countries.

Secondly, I would like to increase the number of inbound tourists from the UAE by introducing them to various charms of Japan, especially food related ones such as wide variety of culinary in Japan and high-quality Japanese ingredients. We offered Saroma Wagyu which is one of the premium beef produced in the Hokkaido prefecture, Anpogaki (persimmons) from the Fukushima prefecture, and Crown Melon from the Shizuoka prefecture, when I hosted our Emperor's Birthday Reception on the occasion of the 62nd birthday of His Majesty the Emperor Naruhito in February. After witnessing the long queue and receiving positive feedback from the guests, I found once again the tremendous market potential our food products have.

Lastly, I would like to develop platforms for further exchanges between the youths of Japan and the UAE who will lead the next generation of our great nations. In this context, I am strongly interested in promoting exchanges in new areas such as e-sports and e-games. The UAE Olympic Committee has recently recognized e-sports as an official event, and this proves the growing popularity of e-sports in the UAE. I have high expectations for young people to play a key role for deepening mutual understanding between Japan and the UAE and for being the driving force to further enhance our existing harmonious relationship for the next 50 years.

## Kreston Menon Welcomes The Ambassador of the Republic of Rwanda in UAE to the Kreston Menon Headquarters in Dubai



Khalid Al Shams, Senior Partner & Group CEO together with Sudhir Kumar, Senior Partner & Head - Corporate Communications, Kreston Menon welcomes H.E Emmanuel Hategeka, Ambassador of the Republic of Rwanda in UAE and H.E. Edouard Bizumuremyi, Minister Counsellor of the General Consulate of the Republic of Rwanda in UAE. The agenda of the meeting was to explore opportunities and enhance cooperation between UAE and Rwanda.



# Kreston Middle East Showcase 2022



The first Kreston Middle East Showcase organized by Kreston Global was held on 27th of January 2022. Liza Robbins, CEO, Kreston Global started the online event with the keynote address and welcomed all participants and speakers. As the Middle East Region offers a wealth of opportunity for clients looking to expand overseas, the objective of the Showcase is to give the Kreston Global Partners an overview of the opportunities and challenges that the Middle East represents and how they can advise their clients to take advantage of the Middle East market. Each member firm in the region delivered an overview of their services capabilities mainly in the field of Audit, Advisory and Taxation.

The Kreston Middle East Region boasts a revenue of \$35.5 million covering 12 countries - Bahrain, Egypt, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Turkey, UAE and Yemen with 40 offices and 800 staff.

Sudhir Kumar, Senior Partner, Kreston Menon gave an overview of Middle East economic outlook in his introductory dialogue. Similarly, he had a comprehensive presentation on Economic Overview of the GCC markets covering Bahrain, Oman, Kuwait, Qatar, Saudi Arabia. And UAE.

Mohamed Mamdouh, Partner, Kreston Egypt talked about the other half of the region covering Egypt, Jordan, Lebanon, Palestine, Turkey and Yemen. Both speakers presented the regulatory and investment regimes of each country as well as cited the competitive economic system each country offers and how investors across the globe can benefit from this growth. Concluding their presentation, Mohamed Mamdouh explained their firm's Advisory

Services focused on Corporate Finance and Transaction Support while Sudhir Kumar discussed Financial Due Diligence and Market Assessment.

Following the Middle East economic overview, Mohamed Ismail, Partner, Sindi & Batterjee Kreston, made an insightful presentation on the Audit, Accounting and Outsourcing capabilities of Kreston firms in the region.

Balakrishnan Karyot, Partner, Kreston SVP, delivered an in-depth narration on the Taxation landscape in the Middle East.

Overall, the first Kreston Middle East Showcase was a success with over 200 attendees including Kreston Global Partners worldwide.





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“ ‘Doing Business in Dubai 2022’ will act as an accelerator for the targeted new global investments into Dubai. ”

— **His Highness Sheikh Ahmed bin Saeed Al Maktoum**  
President of Dubai Civil Aviation Authority,  
Chairman of Dubai Airports,  
Chairman & Chief Executive of Emirates Airline & Group

“ Doing Business in Dubai is a chronicle of the many tools & opportunities available for global investors to plan for their future growth strategies. ”

— **His Excellency Mohammed Ibrahim Al Shaibani**  
Director General of His Highness The Ruler's Court - Dubai  
Managing Director - Investment Corporation of Dubai



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