



# How will the new **CORPORATE TAX** Affect you?

“ By introducing corporate tax, the UAE reiterates its commitment to meeting international standards for tax transparency. The low rates and double tax treaties with all the major global economies will strengthen UAE’s status as the most favoured business hub. ”



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**knowing you**



## Introducing Corporate Tax

The Ministry of Finance has announced that UAE will introduce a Federal Corporate Tax on business profits effective for financial years beginning on or after 1 June 2023. It will be applicable on the adjusted profits of UAE businesses as reported in their financial statements prepared in accordance with internationally acceptable accounting standards.

UAE Corporate Tax will apply to all UAE businesses, except for the extraction of natural resources, which will remain subject to Emirate level corporate taxation. Foreign entities and individuals will be subject to corporate tax only if they conduct a trade or business in the UAE in an ongoing or regular manner.

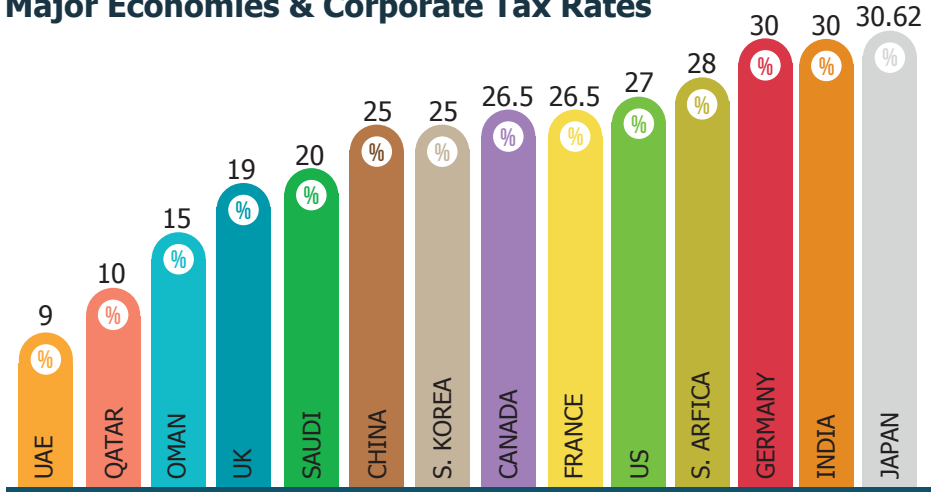
There will be no tax on profits up to AED 375,000 and 9% corporate tax will be applicable for any taxable income exceeding AED 375,000.

The new tax regime will bring more transparency and make the corporate balance sheets stronger and reliable. Users of financial statements will find it more dependable, as this law will bring in the much needed financial and accounting discipline in the market.

## 9% Corporate Tax is one of the lowest in the world

The worldwide average of corporate income tax rate, measured across 180 jurisdictions by Tax Foundation, is 23.54 per cent. In the Americas the average corporate tax rate is 27.16, while in the EU it is 20.71. Asia averages 21.43 and Africa 27.46 %.

Major Economies & Corporate Tax Rates



### UAE Current Tax Structure

**20%** Corporate tax for banks & insurance firms

**55%** maximum tax imposed by individual emirates on businesses engaged in oil & gas sector

**5%** value-added tax on individual & business activities

## Key Features

- Free zone companies that meet all the prescribed requirements can continue to enjoy tax incentives. **However, all businesses established in free zones will be required to register and file a Corporate Tax return.**
- Taxable profits earned by freezone entities from business activities in UAE mainland is subject to corporate tax.
- The approach that profits up to AED 375,000 will not be taxed is adopted to support small businesses and startups.
- No corporate tax will apply on personal income from employment, real estate and other investments, or on any other income earned by individuals that does not arise from a business or other form of commercial activity in the UAE.
- No withholding tax will be applied on domestic and cross border payments.
- Capital gains and dividends received by UAE businesses from its qualified shareholdings is not taxable.
- Foreign tax can be adjusted against UAE corporate tax payable.
- Foreign investors not be subject to UAE CIT wherein income not earned from trade/business in UAE.
- No provisional or advance corporate tax filings will be required.
- UAE business groups can be taxed as a single entity.
- UAE businesses need to comply with transfer pricing rules and documentation requirements in line with OECD Transfer Pricing Guidelines.

If you have any queries related to corporate taxes, please feel free to talk to us.

