

UAE Corporate Tax Compliance

*Your Ultimate Guide for Business
Success in the UAE*



01

Registering for UAE Corporate Tax (Effective June 2023 Onward):

- All taxable entities, including Free Zone Persons, are required to register for corporate tax.
- Exempt individuals might also be asked by the FTA to register, based on their discretion.
- After successful registration, your business will receive a unique corporate tax registration number. This number is vital for future corporate tax processes.

02

Maintain Required Financial Records:

- Businesses need comprehensive financial records for corporate tax compliance.
- Proper documentation is essential for initiating Corporate Tax registration. Our team assists with accounting and bookkeeping to ensure compliance.
- Submitted documents facilitate the process of corporate tax reporting to the FTA.
- Exempt businesses maintain records to validate their tax-exempt status as determined by the FTA.

03

Submission of Corporate Tax Report to the Federal Tax Authority (FTA):

- The FTA mandates companies in the UAE to file a corporate tax submission after your first taxable period.
- Both local and foreign companies must adhere to UAE tax laws. Our experienced tax advisors guide you and help you benefit from available exemptions or relief.
- Non-compliance with tax return filing or tax payment leads to penalties and fines.

By adhering to these points and maintaining accurate financial records, your business ensures smooth compliance with UAE's corporate tax regulations.

What is the applicable rate of corporate tax in the UAE?

The newly introduced corporate tax system in the UAE features a three-tier structure for different rates:

01

0% Tax Rate

Profits up to AED 375,000 annually will be taxed at a zero rate.

02

9% Tax Rate

Profits exceeding AED 375,000 annually will face a 9% tax rate.

03

Higher Tax Rate

Multinational Enterprises (MNEs) falling within the scope of Pillar 2 of the BEPS 2.0 framework (with consolidated global revenues surpassing AED 3.15 billion) will be subject to varying rates following the OECD Base Erosion and Profit-Sharing regulations. Note: The Corporate Tax Law does not address this matter explicitly.

Is corporate tax applicable to businesses operating within UAE Free Zones?

Navigating the corporate tax regulations for Free Zone individuals and entities is essential to ensure compliance with the UAE's tax framework.

01

Qualifying Free Zone Person Taxation

- Individuals who fulfill the conditions to become a Qualifying Free Zone Person will fall under the UAE corporate tax regime.
- Qualifying income is taxed at a 0% rate.
- Taxable income not meeting the criteria for qualifying income is subject to a 9% corporate tax rate.

02

Enjoying the 0% Corporate Tax Rate

- A Free Zone Person can benefit from a 0% corporate tax rate if they have not chosen to pay the standard 9% rate.
- Automatic eligibility occurs when a person meets the requirements for becoming a qualifying Free Zone Person.
- Note: The 9% corporate tax rate applies to taxable income beyond the scope of qualifying income.

03

Mandatory Registration and Filing

- All Free Zone entities must register through FTA's website.
- This registration requirement applies regardless of whether an entity qualifies as a Free Zone Person or not, as long as it operates within a Free Zone.
- Every Free Zone company must adhere to corporate tax return filing as per regime guidelines, regardless of eligibility for rate benefits.

Tax Advisory: Our dedicated tax advisors are here to assist you. They can provide expert guidance on potential tax exemptions for Free Zone businesses in the UAE. Reach out to our team to ensure you're optimizing your tax benefits effectively.

Which Businesses and Entities are Exempt from Corporate Tax in the UAE?

Certain businesses or organizations are excused from Corporate Tax in recognition of their significant role and contribution to the societal fabric and economic landscape of the UAE. These entities are referred to as Exempt Persons and encompass the following categories:



01

Automatically Exempt

- Government Entities
- Government Controlled Entities as specified in a Cabinet Decision



02

Exemption upon Ministry of Finance notification (subject to specific conditions)

- Enterprises in the Extractive Sector
- Enterprises in the Non-Extractive Natural Resource Sector



03

Exempt as per inclusion in a Cabinet Decision

- Eligible Public Benefit Entities



04

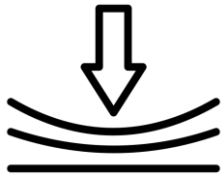
Exemption by Federal Tax Authority subject to application and approval

- Public or private pension and social security funds
- Qualifying Investment Funds

Note: Extractive Businesses, and Non-Extractive Natural Resource Businesses might also be relieved from registration, filing, and compliance requirements of Corporate Tax Law, unless they undertake taxable activities.

What is Small Business Relief Eligibility and Criteria for UAE Corporate Tax?

To promote investment and assist small businesses and startups, the Corporate Tax Law includes a special way to reduce taxes known as 'small business relief'.



Relief Period

Available for financial years starting from 1 June 2023 to 31 December 2026.



Revenue Threshold

To qualify, revenue in the relevant and previous tax periods must be below AED3 million for each period.



Annual Revenue Requirement

Businesses and individuals generating an annual revenue below AED3 million qualify for small business relief exemption.



Expiry of Relief

Small business relief ceases if the revenue threshold is exceeded.



Expansion of Corporate Tax Law

Ministerial Decision builds upon existing Corporate Tax Law, applicable to businesses with annual profits under AED375,000.

Exclusions from Small Business Relief

Small business relief is not available to UAE entities falling under the following categories:



Multinational Enterprises Group

Constituent companies of multinational enterprises groups with consolidated revenue exceeding AED3.15 billion.



Qualifying Free Zone Person

Legal entities registered in a free zone (incorporated, established, or registered).

How is UAE Corporate Tax Determined?



Basis of Calculating Taxable Income:

- Corporate tax (CT) in UAE is calculated at 9% of net profit from financial statements after deductions.
- Tax rate is 0% for income up to AED 375,000, and 9% for income beyond.
- IFRS is commonly used for financial statements.
- The net profit is determined by deducting eligible expenses and excluding income that is exempted.

Deductible Expenditures:

- 50% deduction allowed for entertainment expenses.
- Interest expenses up to 30% of EBITDA deductible.
- For business owners, expenses like employee salaries, health insurance, bonuses, and financial compensations are deductible.
- Foreign taxes paid can also be deducted from the profit shown in the financial statement.

Seek Professional Advice:

It is advisable to consult a qualified tax advisor to ensure accurate calculation of UAE corporate tax and to understand specific regulations that may apply to your business.

Exempted Income from UAE Corporate Tax



Income Less than AED 375000

Corporate tax in the UAE applies solely to businesses with annual net income exceeding AED 375,000; income below this incurs a 0% tax rate.

Individual Salary and Employment Revenue

UAE's corporate income tax law exempts an individual's salary and employment revenue, whether public or private sector, from taxation.

Bank Deposits and Savings

Individuals residing in the UAE are exempt from corporate income tax on interests, profits, and other income gained from bank deposits or saving schemes.

Exempted Income from UAE Corporate Tax

Personal Real Estate Investment

Earnings derived from personal real estate investments by individuals are exempt from corporate income tax.

Shares and Securities

Dividends, capital gains, and other revenue generated from personal ownership of shares or securities are not subject to corporate income tax under the UAE law.



Do businesses that have already registered for VAT also need to register for corporate tax?

Yes, in the UAE, businesses that have registered for Value Added Tax (VAT) may still need to separately register for corporate income tax. VAT and corporate income tax are distinct tax regimes.



Corporate Tax

Corporate tax is a direct tax imposed on the profits earned by corporations or businesses. It is based on the net income or profits generated by a company. Corporate tax is typically calculated as a percentage of a company's profits and is paid by the company itself.



Value Added Tax (VAT)

VAT is an indirect tax applied to the value added at each stage of the production and distribution of goods and services. It is ultimately paid by the end consumer, but businesses collect and remit the tax to the government. VAT is usually levied as a percentage of the sale price of goods or services and is applied to a wide range of products and services.

Introducing the Corporate Tax Calculator

Introducing the Free UAE Corporate Tax Calculator, designed to assist businesses in anticipating the forthcoming UAE corporate tax changes.

Simplify your understanding of UAE corporate tax with our user-friendly calculator.

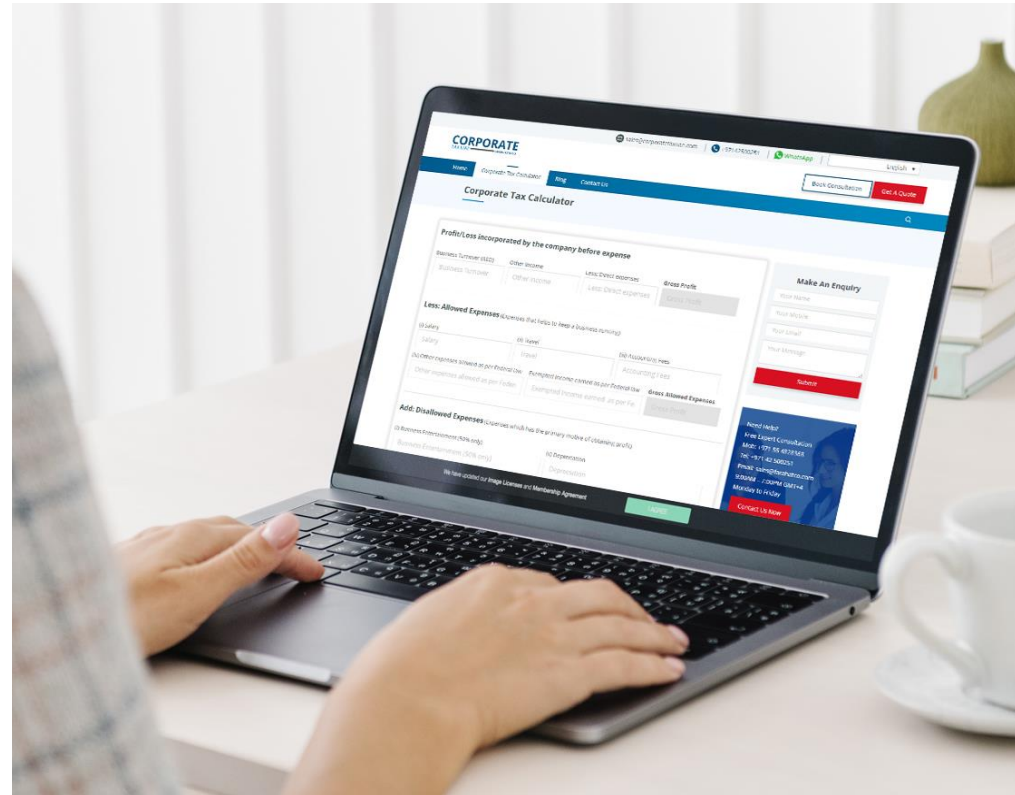
Experience our online calculator designed to project your company's potential corporate tax obligation for the upcoming financial year under the new tax framework in the UAE.

Are you prepared to calculate your potential liability for the upcoming financial year?

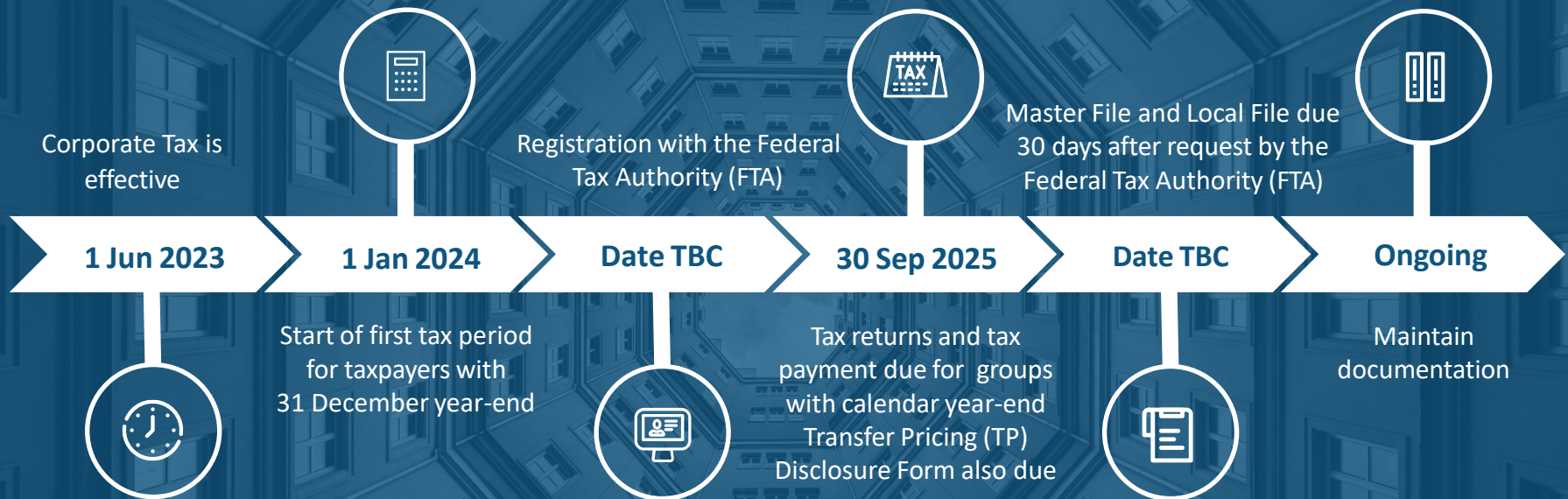
Feel free to contact us at info@corporatetaxuae.com

visit our website

<https://corporatetaxuae.com/corporate-tax-calculator/>
for corporate Tax calculation.



Tax Compliance Timeline





Navigate your UAE corporate tax with expertise at Corporate Tax UAE

Effectively manage your UAE corporate tax with confidence through our expert guidance at Corporate Tax UAE. At Farahat & Co., our team comprises adept and seasoned specialists in UAE Corporate Tax law, well-versed in the existing regulations. With a proven track record, we've offered expert tax solutions to numerous local firms, showcasing our capability to address tax challenges in the UAE. By utilizing our proficient Tax Advisory services in Dubai, you can ensure your company's adherence to the UAE's Corporate Tax laws, regulations, and tax compliance standards.

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Contact Us

Require further insights into the UAE's updated corporate tax law?

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