

# UAE Corporate Tax Workshop

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# What we'll cover



## Corporate Tax Basics

- Overview of Corporate Tax obligations and compliance steps

## Tax Considerations for Business Changes

- Before opening a business
- When closing a business

## What do I need to do?

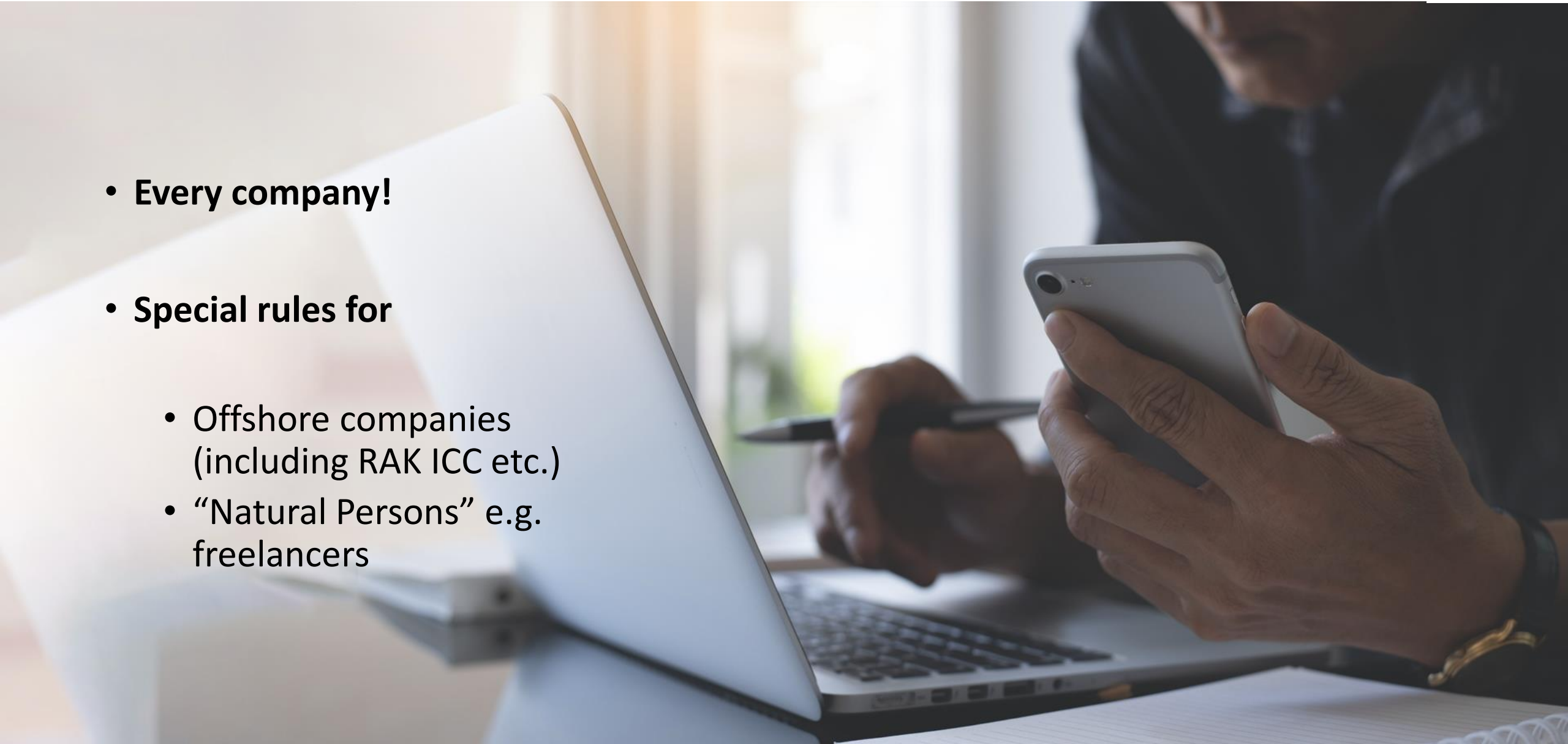
- FTA Deadlines for different tax years
- Maintaining correct accounting records

## Will I pay tax?

- What exemptions are available?

# Who is “Taxable”?

- **Every company!**
- **Special rules for**
  - Offshore companies (including RAK ICC etc.)
  - “Natural Persons” e.g. freelancers



# When am I “Taxable”?

What’s my financial year?

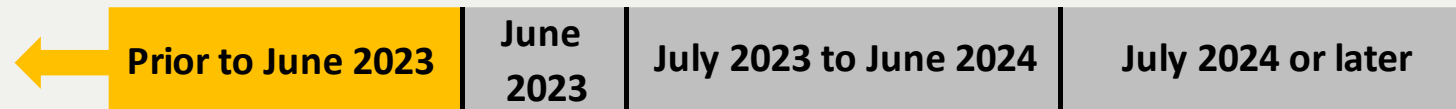


Standard Financial year in the UAE is Jan-Dec

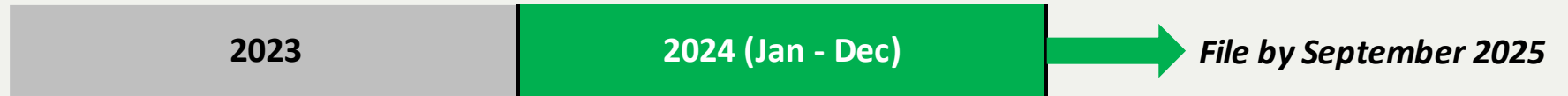
# First Tax Year



## Opened Company



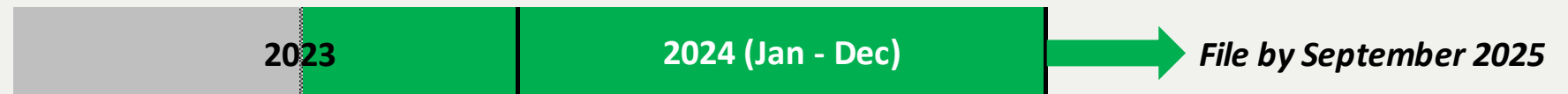
## First Tax Year



## Opened Company



## First Tax Year



# First Tax Year

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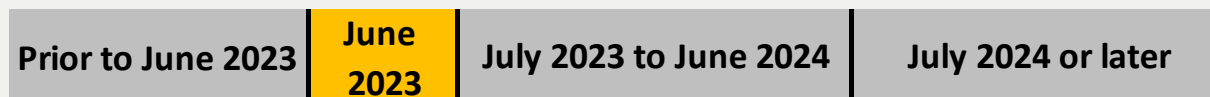


## First Tax Year



## The “unlucky” ones – opened in June 2023

## Opened Company



## First Tax Year



# Compliance Steps

## Every company must:

- **Register for corporate tax**
- **Keep proper accounting records**
- **File a corporate tax return**

(Qualifying free zone companies must also complete an audit)

# Registration Requirements



Within 90 days of the company being established  
(not the license issue date)

**LATE REGISTRATION FINE IS AED 10,000**

# Accounting Requirements

## **Accounting Standards to be used for Corporate Tax purposes**

- International Financial Reporting Standards (IFRS)
- IFRS for SMEs
- Cash-basis accounting

Regardless of standard used, you must still produce proper financial statements

## **Penalties confirmed for not keeping adequate records –**

- AED10,000 first instance
- Then increases to AED20,000

# Will I Pay Tax?



Qualifying  
Free zone  
Person

Qualifying Income  
Qualifying Activities

Small  
Business  
Relief

**AED 3M**

Tax-free  
Threshold

**AED 375K**

# Qualifying Free Zone Person



**95% of revenue must be “Qualifying Income”**

Qualifying income is:

**From within Free Zones** OR

**From Qualifying Activities** OR

**From Qualifying Intellectual Property** AND

**Is not “excluded income”**

- Need to also show “Adequate Substance” in the free zone
- Rules will exist beyond 2026
- Can “opt out” by electing to be subject to corporate tax

# Small Business Relief



- **Turnover up to AED 3m**
- **Available until 31-Dec-2026**
- **No indication that it requires an audit**
- **Available to all companies (including freezones)**

# Taxable Business



- **Tax free threshold – 0% tax on first AED 375,000 profit**
- **Taxed at 9% on profits over AED 375,000**
- **Need to look at tax efficient operating structures**

“Can I just pay myself a big salary?”

# Business Opening



- **Where will your clients be located?**
- **What are your activities?**
- **Adequate Substance**
- **Deadlines (both VAT and Corporate Tax) – don't get fined!**

# Business Closure



- 1. Register for corporate tax**
- 2. File a corporate tax return for the period 1-Jan-2024 to de-registration date**
- 3. Pay any tax due on the return filed (most will be nil)**
- 4. Deregister for corporate tax**

# Compliance Steps



## QUALIFYING FREE ZONE BUSINESS

- Registration
- Accounting
- Audit
- Economic Substance
- File tax return



## SMALL BUSINESS RELIEF

- Registration
- Accounting
- File tax return



## TAXABLE BUSINESS

- Registration
- Accounting
- File tax return

# Deep-dive on Free Zone Exemption

# Will I Pay Tax?

Qualifying  
Free zone  
Person

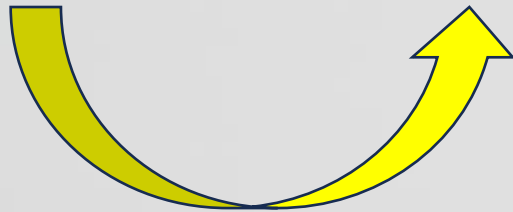
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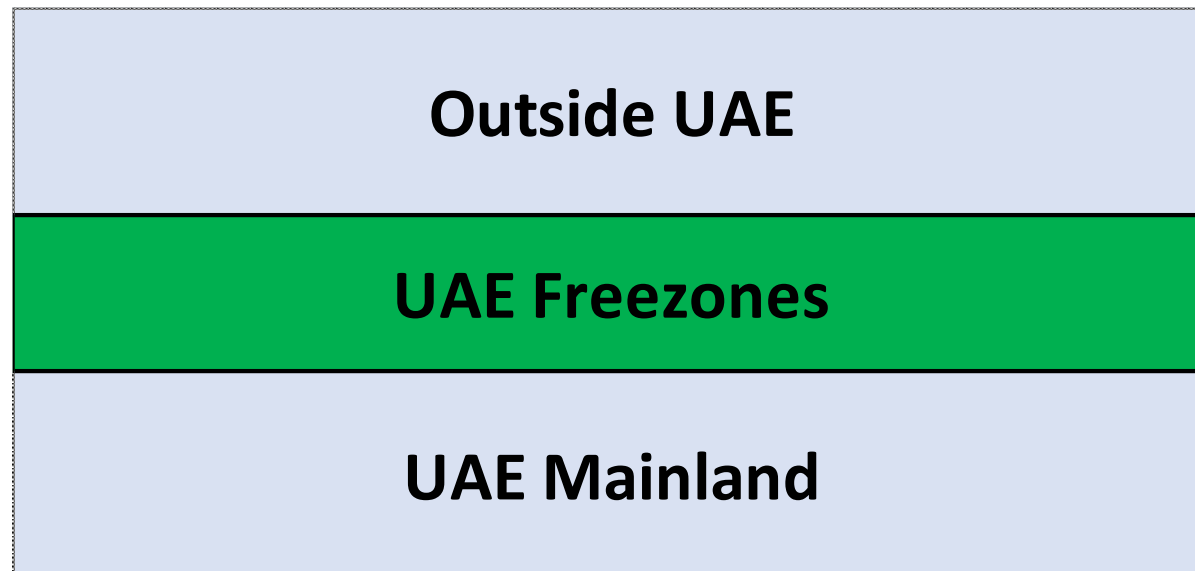
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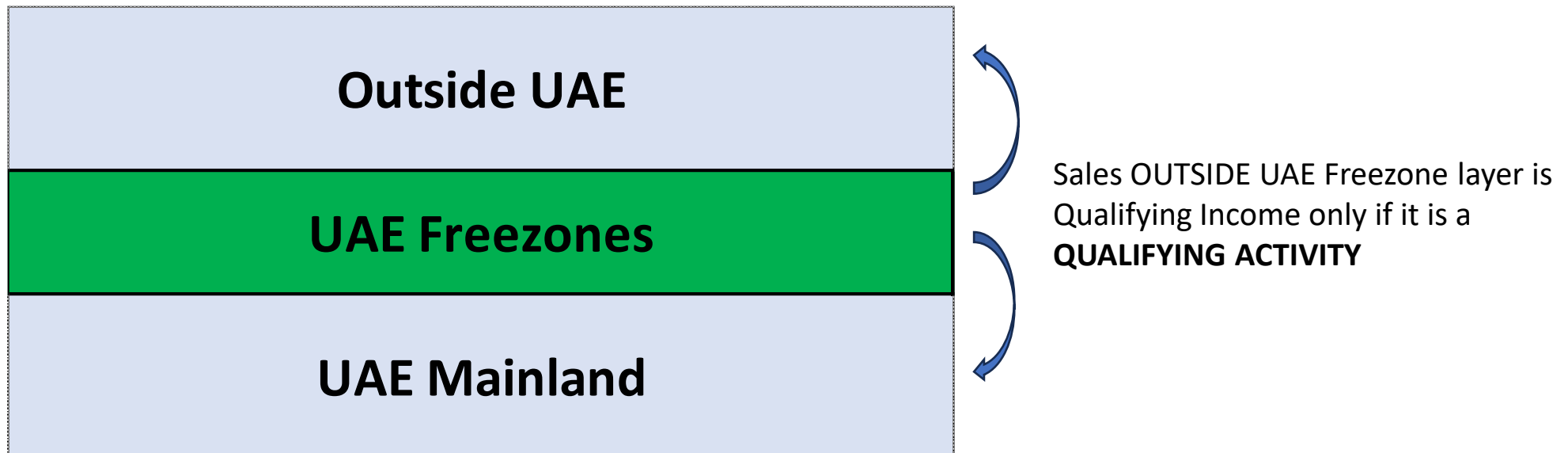


# Qualifying Income



Sales to other UAE Freezone companies  
is Qualifying Income

# Qualifying Income



# Qualifying Free Zone Person



## “Qualifying Activities” Category

- A.** Manufacturing of goods or materials.
- B.** Processing of goods or materials.
- C.** Trading of Qualifying Commodities
- D.** Holding of shares and other securities.
- E.** Ownership, management and operation of Ships.
- F.** Reinsurance services that are subject to the regulatory oversight of the competent authority in the State.
- G.** Fund management services that are subject to the regulatory oversight of the competent authority in the State.
- H.** Wealth and investment management services that are subject to the regulatory oversight of the competent authority in the State.
- I.** Headquarter services to Related Parties.
- J.** Treasury and financing services to Related Parties.
- K.** Financing and leasing of Aircraft, including engines and rotatable components.
- L.** Distribution of goods or materials in or from a Designated Zone to a customer that resells such goods or materials, or parts thereof or processes or alters such goods or materials or parts thereof for the purposes of sale or resale.
- M.** Logistics services.
- N.** Any activities that are ancillary to the activities listed in paragraphs (a) to (l) of this Clause.

# Free Zone Exemption

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- **95% of revenue must be “Qualifying Income”**
- Need to also show “Adequate Substance” in the free zone

(Also need to do an audit – not required otherwise for tax)

## **“Adequate Substance” in the Free Zone (or Designated Zone)**

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### **The company must:**

- Undertake the core income-generating activities for that Business in the Free Zone (or Designated Zone for the Qualifying Activity of distribution),

### **And**

- Within the Free Zone (or Designated Zone), maintain adequate assets and qualified full-time employees, and incur an adequate amount of operating expenditures in relation to each of those core income-generating activities.
- The Free Zone Person should ensure that the number of qualified full-time employees is adequate, having regard to the nature and size of the activities carried out.
- In some cases, it may be reasonable for one employee to perform multiple activities, that said, core income-generating activities will require separate substance per core income-generating activity.

# Qualifying Free Zone Person

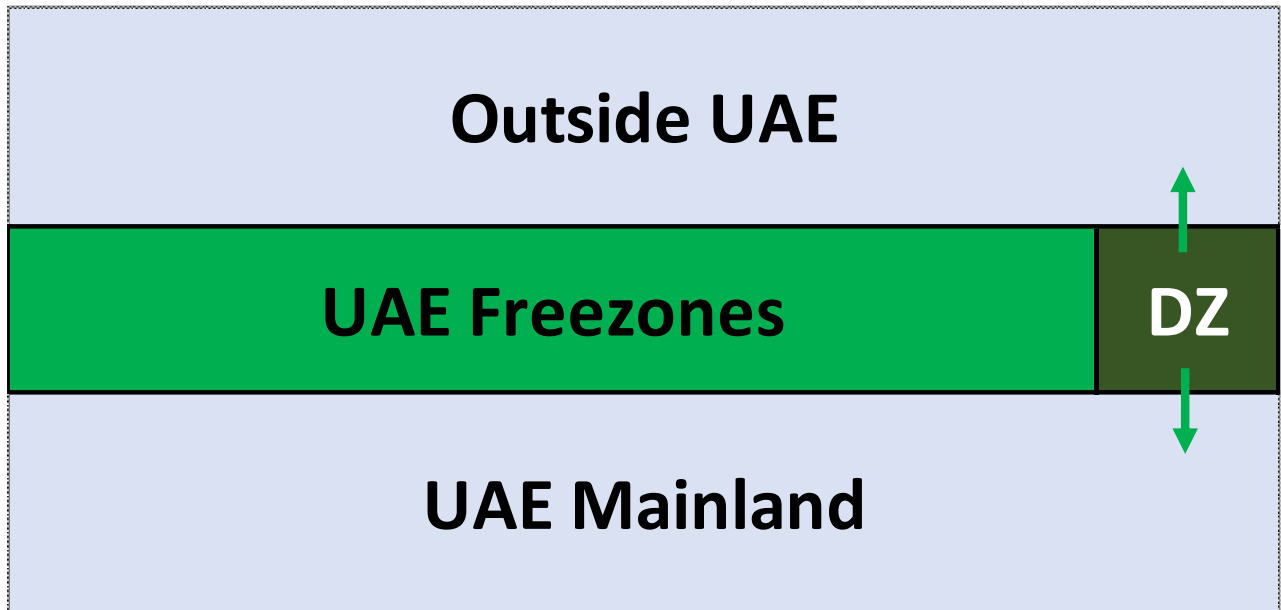
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# Qualifying Income

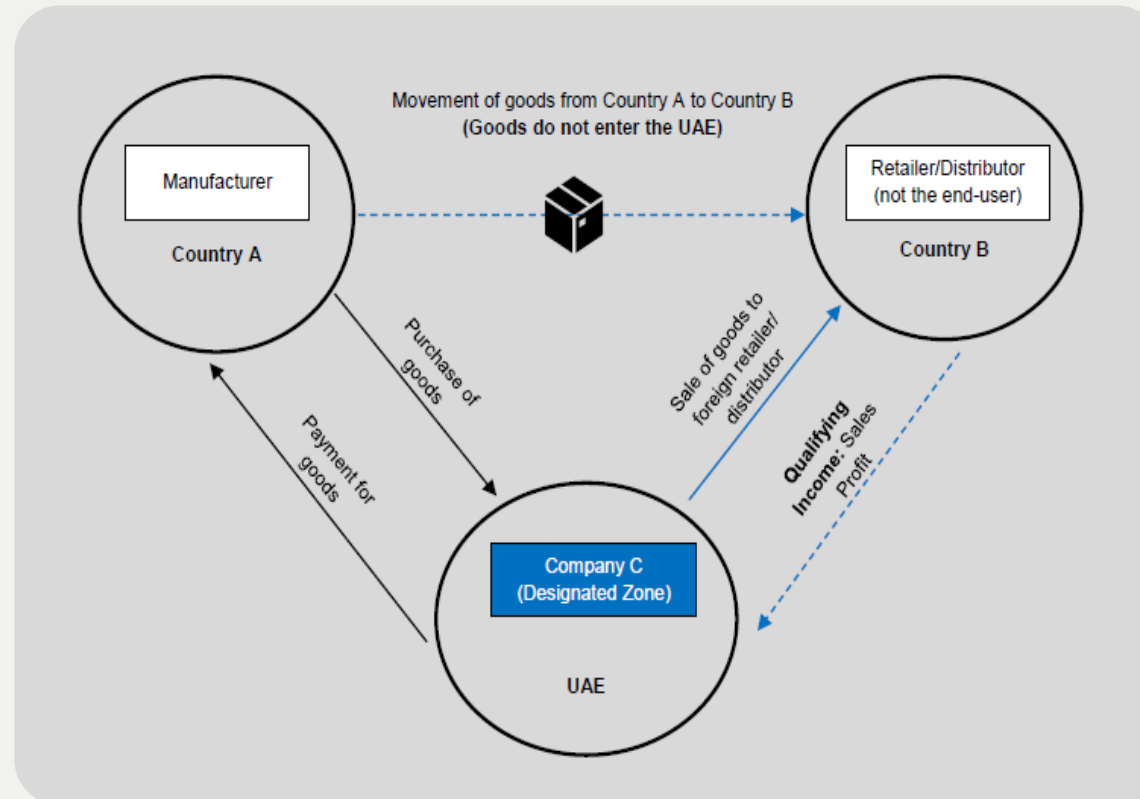


Designated zones have one “extra” qualifying activity (trading)

# Free Zone Guide Released May 2024

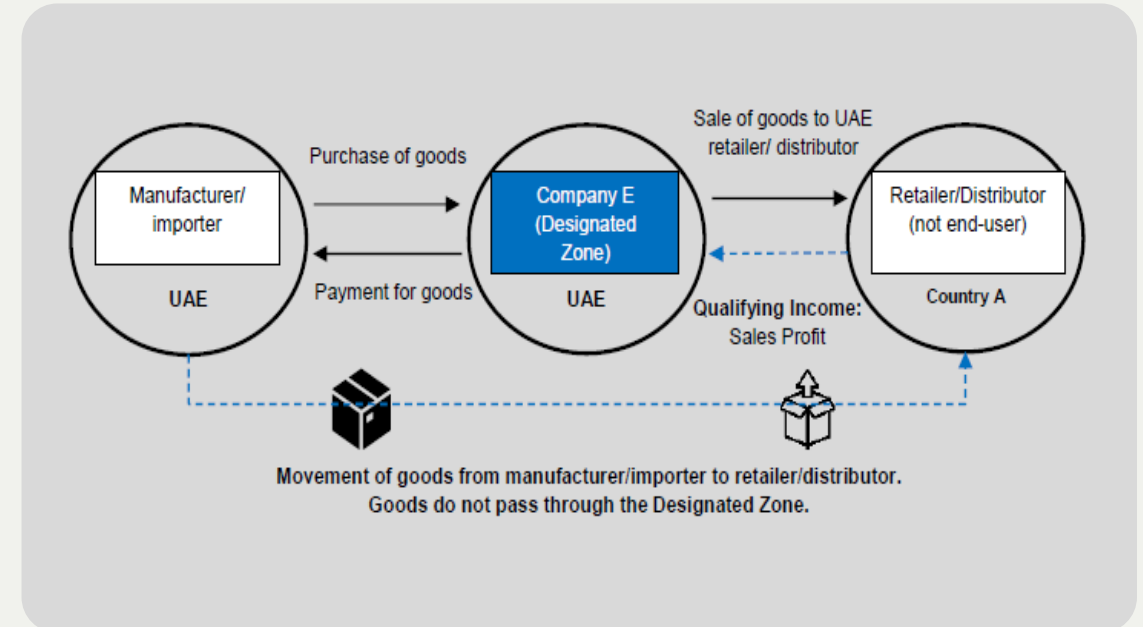
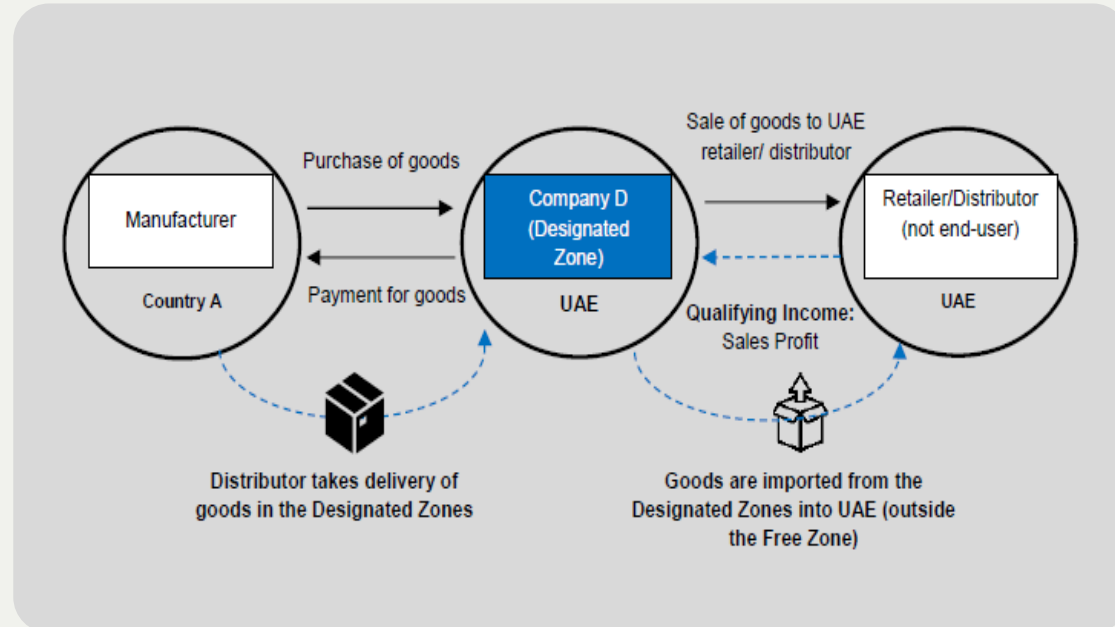
## Distribution from Designated Zones

- Has to take title to (own) the goods
- Has to sell to a further retailer / distributor (cannot be end-user)



# Free Zone Guide Released May 2024

## Distribution from Designated Zones





# Free Zone Guide Released May 2024



## Qualifying Commodities

- Goods do **not** need to be traded on a recognized exchange
- Rather, the goods only need to meet the standard of those traded on a recognized exchange (for example, gold being 99.4% pure in bullion form).

# Qualifying Free Zone Person



## Excluded Activities

- A.** Any transactions with natural persons, except transactions in relation to the Qualifying Activities specified under paragraphs (d), (f), (g) and (j) of Clause (1) of Article (2) of this Decision.
- B.** Banking activities that are subject to the regulatory oversight of the competent authority in the State.
- C.** Insurance activities that are subject to the regulatory oversight of the competent authority in the State, other than the activity specified under paragraph (e) of Clause (1) of Article (2) of this Decision.
- D.** Finance and leasing activities that are subject to the regulatory oversight of the competent authority in the State, other than those specified under paragraphs (i) and (j) of Clause (1) of Article (2) of this Decision.
- E.** Ownership or exploitation of immovable property, other than Commercial Property located in a Free Zone where the transaction in respect of such Commercial Property is conducted with other Free Zone Persons.
- F.** Any activities that are ancillary to the activities listed in paragraphs (a) to (f) of this Clause.

## Corporate Tax and Bookkeeping Services

- Corporate Tax Registration - **AED 1,249**
- Corporate Tax Filing
  - (companies with zero turnover) **AED 1,800**
  - (companies with turnover) **AED 3,749**
- Accounting Services – starting from **AED 5,250** (up to 10 transactions)

## Discounted Corporate Bundles

- **Bundle 1** companies with zero turnover (**AED 2,750**)
  - Corporate Tax Consultation, Registration and Filing
- **Bundle 2** companies with turnover (**AED 9,949**)
  - Corporate Tax Consultation, Registration, Filing and Bookkeeping Services (up to 10 transactions per month)