

CORPORATE TAX



2023

WHAT IS CORPORATE TAX?

Corporate Tax is a form of direct tax levied on the Taxable Income of corporations and other Businesses.

TAX RATES

0% RATE

Taxable income equal or less than AED 375,000/-

9% RATE

Taxable income more than AED 375,000/-

Different TAX Rate

Larger Multination companies may be subject to higher TAX rate - PROFITS OVER 3.5 Billion



WHO HAS TO REGISTER?

- Every business will need to register for corporate tax, including free zone companies and freelancers.
- Your business will be subject to corporate tax from your first financial year starting on or after 1 June 2023.
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- All corporates/Freezone & Mainland
 - Sole trader /Partnership have a turnover of more than AED 1Million in a year
 - Individuals(without trade license) , who frequently conduct real estate activities
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TAXABLE INCOME

- Resident Persons are subject to Corporate Tax on their income from both inside and outside the UAE
- Non-Resident Persons with a Permanent Establishment or a nexus in the UAE are subject to
- Corporate Tax on income attributable to that Permanent Establishment or nexus. If the Non-Resident does not have a Permanent Establishment or a nexus in the UAE but derives income from the UAE, that income would be subject to withholding tax at the rate of 0%
- Natural persons are only subject to Corporate Tax on the Taxable Income of their Business or Business Activity derived from the UAE, or from outside the UAE if it is connected to the Business or Business Activity being carried out in the UAE.

EXEMPT PERSONS

- Automatically Exempt Persons: Government Entities
 - a. Exempt if they notify the Ministry of Finance, and meet relevant conditions: Extractive Businesses and Non-Extractive Natural Resource Businesses
 - b. Exempt if listed in a Cabinet Decision and meet relevant conditions: Government Controlled Entities and Qualifying Public Benefit Entities
 - c. Exempt upon application to, and approval by, the FTA: 71
- Public and private pension or social security funds
- Qualifying Investment Funds
- Juridical persons incorporated in the UAE that are wholly owned and controlled by certain Exempt
- Persons
- Any other Person as may be determined in a decision issued by the Cabinet at the suggestion of the Minister
- Dividends and other profit distributions received Capital
- Capital gains from selling the shares of a subsidiary company under their ownership

Corporate tax for free zone businesses

To uphold its commitment to facilitate a business-friendly Environment in the free zones, the UAE government has made an exception for businesses incorporated in free zones.

IMPORTANT: A business registered in a free zone is not automatically exempt from corporate tax.

Note: Even if a free zone business qualifies for an exemption, they will still need to register for corporate tax, keep proper accounting records, and file an annual tax submission with FTA.

Corporate policy for tax for free zone businesses

→ If a free zone business complies with its free zone's regulations, including those specified in the corporate tax legislation, they may qualify for an exemption

→ If a business does not comply with the free zone conditions included in the tax legislation, they may lose their exemption.

→ If a business loses their free zone exemption, they may still qualify for other options available such as the Small Business Relief rule.

Corporate tax for freelancers

To practice as an independent professional or freelancer in the UAE, you need a professional license, which will automatically bring you under the tax regime.

IMPORTANT: Freelancers in the UAE may still need to pay the 9% corporate tax if their annual revenue is over AED 3 million and profit is over AED 375,000



How do you calculate your taxable profit?

Allowed Expenses

Your taxable profit is normally your revenue less your business-related expenses.

- All spending related to business are tax deductible
 - Entertainment expense allowed 50%
 - Employee Entertainment 100% allowed
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- **Investor Salaries** - The law states that payments to a related party must meet the “arms-length” principle. For business owners paying themselves a salary, this means setting the salary at a fair market rate, similar to what an unrelated employee would receive under a similar employment arrangement
 - **Interest** - Businesses can deduct their financing and interest costs. However, the amount of interest expense that can be deducted is capped at 30% of earnings before interest, taxes, depreciation and amortization (EBITDA). This cap has been put in place to prevent businesses from exploiting the different tax treatment of equity and debt, whereby a business may take on excessive levels of debt to reduce taxable income via increased interest expenses.
 - **Entertainment** - Only 50% of entertainment spending can be deducted. This includes costs such as meals and accommodation, where they are incurred entertaining customers, suppliers, shareholders or other similar parties.
 - **Foreign branches** - If a company has a branch in another country, they can claim a foreign tax credit for the amount of tax paid in that country in relation to that branch. Alternatively, a company may apply for an exemption of the profit made by their branches outside the UAE

Important

- Businesses that have already registered for VAT will still need to register for corporate tax.
- Corporate tax will be paid directly to the government and calculated by considering the net income of the company, not the total revenue or sales volume.

DOCUMENTS REQUIRED

1. Copy of Trade License (must not be expired)
2. Passport copy of the owners/partners/shareholders who own the license (must not be expired).
3. Emirates ID of the owners/partners/shareholders who owns the license (must not be expired).
4. Memorandum of Association (MOA) – Or – Article of Association (AOA).
5. Share Certificate.
6. Concerned person's contact details (Mobile Number and E-mail).
7. Contact details of the company (complete address and P.O. Box)

CORPORATE TAX CONSULTATION & REGISTRATION


AED 1,200.00

CORPORATE TAX FILING


AED 1,400.00

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