Bazaar Accounting & Management Advisors

UAE INTRODUCES CORPORATE TAX

On or after 1st June 2023

Corporate Tax

The Corporate Tax will apply to the net profit/income of a business, subject to certain adjustments. The accounting net profit/income is the amount reported in the Financial Statements (FS) prepared in accordance with international accounting standards.

Scope of Applicability of Corporate Tax

The Corporate Tax will apply to all persons (individuals and legal persons) carrying out business activities under a commercial license in the UAE.

Exceptions will apply to:

- Entities engaged in the extraction of **natural resources** will remain subject to the Emirate level corporate taxation.
- Entities operating in **free zones** will continue to benefit from tax incentives currently being offered to them if they comply with all regulatory requirements and **they do not conduct business with mainland UAE.**

Effective Date

The Corporate Tax will become effective for the financial year staring on or after 1st June 2023.

Examples:

- A business that has a financial year starting on **1st July 2023 and ending on 30th June 2024** will become subject to Corporate Tax from 1st July 2023 (which is the beginning of the first financial year that starts on or after 1st June 2023).
- A business that has a (calendar year) financial year starting on **1st January 2023 and ending on 31st December 2023** will become subject to the UAE Corporate Tax from 1st January 2024 (which is the beginning of the first financial year that starts on or after 1 June 2023).

Corporate Tax rates

Taxable Income	Corporate Tax Rate
Taxable income up to AED 375,000	0%
Taxable income over and above AED 375,000	9%
Large Multinationals that meet the criteria under 'Pillar Two' of the OECD Base Erosion and Profit Shifting project.	Different tax rate

UAE Corporate Tax will not be on:

- **Capital gains and dividends** earned from qualifying shareholdings.
- Qualifying **intra-group transactions and restructurings.**

Exempt from UAE Corporate Tax

- Employment income (Salary income).
- Income from real estate.
- Income from savings and investment returns.
- Any income earned by individuals in their personal capacity that is not attributable to a UAE trade or business.
- Income earned by foreign investors by dividends, capital gains and other investments.

Withholding tax:

- **No withholding tax** will apply on domestic and cross border payments.

CORPORATE TAX

As the UAE moves towards creating a transparent economic environment, our in-house Tax experts can provide you with full support on the impending corporate tax in the UAE, including a Pre-Assessment and Structuring of the transactions. We will be more than happy to help you!

Stay tuned to this space as we will continuously provide you with latest updates and you may reach out to the below.

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