

UAE Taxation

Briefing note

What's New

- From June 2023 corporate income tax

Already in place*

- VAT at 5% standard rate
- Hydrocarbon extraction (as per concession agreements 55% or more)
- Foreign bank branches taxed at 20%
- Municipality tax on hotels and entertainment (10% in Dubai)
- Alcohol excise duties (50% to import, 30% on retail)
- Customs duties
- Tax on rental income
- SALIK (road tolls)
- Municipality taxes on housing and sewerage (added to DEWA bills)
- Free Zone annual licence fees

* referenced to Dubai – some variations apply across individual Emirates

Corporate Tax: What to expect

- Regulations mid 2022
- Will apply to the first financial year of the business starting after 1 June 2023
- 9% tax where business profit exceeds AED 375,000
- 15% tax for multinationals with global turnover exceeding Euros 750 million
- Any legal entity undertaking business/commercial activities will be eligible (including individuals operating under licence or permit)
- NO personal salary tax
- NO taxation of dividends, interest, royalties or similar
- NO withholding tax
- NO capital gains tax
- NO advance payment or on account payment – tax will be assessed at the year end on the accounting profit (accounting rules and standards compliance required)
- Investment gains not generally taxed
- Free Zone commitments continue but Free Zone companies trading onshore will be liable to tax
- Bilateral double taxation treaties may provide relief
- Allowances will be relevant for some deductions from profit
- Group relief will be relevant
- Losses may be carried forward
- Strong penalties for non-compliance

Action points

Consider local corporate structure including group structures. Is it going to be tax efficient?

If income will be earned in the UAE from offshore activities could this properly be paid to an offshore entity?

For example:

A construction project in Dubai might involve an Asian main contractor. Will design, procurement, plant and materials be supplied from outside the UAE? Splitting onshore/offshore contracts (with a wrapping umbrella agreement to safeguard the owner's rights) is a structure often used in neighbouring jurisdictions with corporate taxation.

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