

FOREIGN TAX UPDATE

**Taxation of
Corporations and
Businesses - UAE**



Taxation of Corporations and Businesses

- UAE

United Arab Emirates (“UAE”) on 09 December 2022 has issued The Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (hereinafter referred to as the “Corporate Tax Law”).

The Corporate Tax Law provides the legislative basis for the introduction and implementation of a Federal Corporate Tax (“Corporate Tax”) in the UAE and is **effective for financial years starting on or after 1 June 2023.**

Following are the Key Highlights of the UAE

Corporate Tax:

1. Corporate Tax will be levied at a headline rate of **9% on Taxable Income exceeding AED 375,000.**
2. Taxable Income below threshold limit of **AED 375,000** will be subject to 0% rate of Corporate Tax.

3. All Taxable Persons (including Free Zone Persons) will be required to register for Corporate Tax and obtain a Corporate Tax Registration Number.
4. Qualifying Free Zone Person can benefit from a preferential Corporate Tax rate of 0% on their “Qualifying Income” only.
5. Annual Corporate Tax Returns will be required to be filed by all Taxable Persons who obtain Corporate Tax Registration in UAE, not later than Nine (9) months from the end of the relevant Tax Period.

6. Corporate Tax will be applicable on following persons:

- Juridical persons incorporated, established and recognised in the UAE
- Juridical persons effectively managed and controlled in the UAE
- Foreign juridical persons that have a permanent establishment in the UAE
- Individuals engaged in a business or business activity in the UAE, either directly or through an unincorporated partnership or sole proprietorship.

7. Following Persons will be exempt under UAE Corporate Tax:

- The UAE Federal Government, Local Governments, ministries, government departments, government agencies, authorities and public institutions of the Federal Government or Local Governments;
- Wholly owned and controlled Government entities that carry out a mandated activity, and that are listed in a Cabinet Decision;
- Persons engaged in business of extraction of UAE natural resources like water, oil, gas, coal etc;
- Persons engaged in the non-extractive natural resource business like separating, processing, marketing etc of the natural resources of UAE;
- Qualifying Public Benefit Entities that meet the prescribed conditions;
- Qualifying Investment Funds that meet the prescribed conditions;

- Public pension or social security fund, or private pension or social security fund that meet certain conditions; and
- UAE juridical persons that are wholly-owned and controlled by certain exempted entities after meeting certain conditions.

For details, please refer The Federal Decree-Law No. (47) of 2022 on the Taxation of Corporations and Businesses:

<https://tax.gov.ae//Datafolder/Files/Legislation/Corporate%20Tax/CT%20law%20final/Federal%20Decree-Law%20No.%2047%20of%202022%20-%20For%20publishing.pdf>

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